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SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director Amy Quesada, Commission Secretary
Phone: 415-274-0400; Fax 415-274-0412 Phone: 415-274-0406; Fax 415-274-0412

MEETING AGENDA

TUESDAY, FEBRUARY 10, 2015

2:00 P.M. CLOSED SESSION

3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – January 13, 2015
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

GOVERNMENT
DOCUMENTS DEPT

FEB - 6 2015

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A. Vote on whether to hold closed session.

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:
 - a. Property: A portion of AB 4110, lot 1, also known as 901 Illinois Street, near the intersection of Illinois and 20th Streets
 - Person Negotiating: Port: Brad Benson, Director of Special Projects

*Negotiating Parties: Forest City Development California, Inc., Jack Sylvan


Under Negotiations: ___Price ___ Terms of Payment X Both
The Port and Forest City Development California, Inc. are negotiating a lease for the property known as 901 Illinois Street. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

- b. Property: AB 4110, lot 1; AB 4052; 4111, lots 3 and 4; also known as the Pier 70 Waterfront Site, a 28 acre site generally bounded by Illinois Street to the west, 20th Street to the north, the Bay to the east and private property to the south (AB 4175), located near the intersection of 22nd Street and Illinois. Also including a City option to purchase privately-owned property comprised of AB 4110, lot 8A and AB 4120, lot 2, an approximately 3 acre parcel bounded by Illinois Street to the west, 22nd Street to the south, and Port property to the north (AB 4110, lot 1) and east (AB 4052).

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development

*Negotiating Parties: Forest City Development California: Kevin Ratner and Alexa Arena

Under Negotiations: ___Price ___ Terms of Payment X Both
Pursuant to Resolution No. 11-49, the Port Commission awarded to the non-Port party an exclusive negotiation agreement with the Port for the lease and development of the property. In this executive session, the Port's negotiator seeks direction from the Port Commission on base rent structure, financing mechanisms, and other factors affecting the price and terms of payment for the development of the property prior to commencing additional negotiations with the non-Port party. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California and/or to more effectively negotiate with the non-Port party on price and payment terms.



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5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

- A. Executive Director's Report
 - Cancellation of the February 24, 2015 Port Commission Meeting
 - Patrol officers at SFPD's Central Station, under the leadership of Captain David Lazar, Honorees at the Fisherman's Wharf Merchants Association's Annual Crab Feed Dinner - February 5, 2015
 - Ferry Building Lighting Ceremony for the Pan Pacific International Exposition 100th Anniversary - March 3, 2015 at 5:30 p.m.

- Final Report on Disposal of Drydock #1
- Maritime Air Emissions Inventory Update
- In Memorium - Frank Sabella, Sr., Original Owner of Sabella & LaTorre Restaurant

- B. Port Commissioners' Report - Without discussion, at this time Commissioners may make announcements regarding various matters of interest to the Commissioner(s).

10. CONSENT

- A. Request approval of travel for a member of the San Francisco Port Commission with members of Port staff to Shanghai, China to attend the Breakbulk China 2015 Conference and visit the Philippine Ports Authority, our newest sister port, for business development. (Resolution No. 15-02)
- B. Request authorization to award the Pier 33 North (Pier 33½) Pilot LBE Retail Opportunity to Queen's Louisiana Po'-Boy Café, LLC ("Queen's") and to enter into exclusive negotiations with Queen's for a lease subject to Port Commission approval. (Resolution No. 15-03)
- C. Request approval of the proposed Memorandum of Agreement (MOA) between the Successor Agency to the San Francisco Redevelopment Agency and the Port Commission regarding termination of the ground leases in the Rincon Point-South Beach Project Area, operation and maintenance of South Beach Harbor, Rincon Park and other improvements, and related financial terms through the December 2016 repayment of the South Beach Harbor Revenue Bonds. (Resolution No. 15-04)

11. PLANNING & DEVELOPMENT

- A. Informational presentation by the Mayor's Office of Housing on citywide affordable housing plan.

12. ENGINEERING

- A. Informational presentation on the Port's Load Restricted (Yellow with Green Hatching-Tagged) and Fully Restricted (Red-Tagged) Facilities.

13. FINANCE & ADMINISTRATION

- A. Informational presentation on Fiscal Year 2015-16 to 2019-20 Five Year Financial Plan.
- B. Request approval of the Port's 10-Year Capital Plan for FY 2016-2025. (Resolution No. 15-05)

- C. Request approval of the Port's seven additional capital projects and accompanying supplemental appropriation to Fiscal Year 2015-16 Capital Budget. (Resolution No. 15-06)

14. REAL ESTATE

- A. Request authorization for San Francisco Public Works, in consultation with Port staff, to issue a Competitive Solicitation for an Asphalt and Concrete Batching Plant at Seawall Lot 352 (located along Amador Street) with a Bulk Maritime Terminal Component at Pier 94. (Resolution No. 15-07)
- B. Informational presentation regarding Lease L-10432 and various Settlement Agreements with Sinbad's Pier 2, Inc.

15. NEW BUSINESS

16. ADJOURNMENT

Adjourn the meeting in memory of Frank Sabella, Sr.

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

FEBRUARY 24, 2015 – CANCELLED

MARCH 10, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the Port of San Francisco's Report on Contracting Activity for the First and Second Quarters of FY 2014-15 (July 1, 2014 through December 31, 2014)
2	Portwide	Informational	Presentation on Water Taxi Operations at the Port.
3	Pier 38	Informational	Presentation of Lease No. L-15892 between the Port of San Francisco and TMG Pier 38 Partners, a California Limited Liability company for premise located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street with an initial term of 25 years plus two (2) five (5) year extension options granted at the sole discretion of the Port
4	Portwide	Informational	Presentation on revisions to the Port Building Code regarding all fences requiring Port building permits
5	Pier 70	Informational	Presentation on the Pier 70 Waterfront Site Special Use District Planning and Environmental Review
6	Portwide	Action	Authorization to accept and expend 2014 Security Grant Funds
7	Pier 96	Action	Authorization to advertise and issue a Request for Proposals (RFP) soliciting a developer and operator for a Bulk Export Maritime Terminal Operation at Pier 96
8	Portwide	Action	Authorization to enter into a contract for Youth Employment Services
9	Pier 70	Action	Approval of Exclusive Negotiating Agreement with Forest City for the Pier 70 project
10	Pier 70 & SWL 349	Action	Approval of Lease No. L-15875 with BAE Systems San Francisco Ship Repair, Inc., a California corporation, located at Piers 68 and 70 and Seawall Lot 349 near 20th and Illinois Street, for approximately 14.4 acres of land improved with 19 buildings, 17.4 acres of submerged land and Port-owned Equipment, including Drydock #2, the Drydock Eureka and the Shoreside Power System (the "Shipyard"), for a term of 20 years with two (2) five (5) year

			extension options. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code)
11	Pier 70	Action	Approval of Lease No. L-15901 between the Port of San Francisco and Forest City California, Inc., a California Corporation for a 43,040 sf premises located at 901 Illinois Street, with an initial term of that is the earlier of: (i) the date that is forty-eight (48) months from the Commencement Date; or (ii) the date that is ninety (90) days after the date the Port provides Tenant with written notice that it has obtained the Final Planning Approval for the area known as "Site K North". (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.

MARCH 24, 2015

	FACILITY/POLICY	ITEM	TITLE
1	501 Cesar Chavez	Informational	Presentation regarding a Memorandum of Understanding Number M-15906 between the Port of San Francisco and the City of San Francisco's Department of Real Estate for a 42,833 square feet free standing office building and approximately 22,500 square feet associated parking area located 501 Cesar Chavez Street and approximately 20,000 square feet of paved land located at Massachusetts Street north of the Pier 80 gear and maintenance shed in the southern waterfront for the temporary relocation of the Department of Technology's Public Safety Division Operations for a term of 120 months
2	Portwide	Action	Approval of revisions to the Port Building Code regarding all fences requiring Port building permits
3	Portwide	Action	Authorization to award contract for financial advisory services
4	Pier 38	Action	Approval of Lease No. L-15892 between the Port of San Francisco and TMG Pier 38 Partners, a California Limited Liability company for premise located at Pier 38 in the Central Waterfront on The Embarcadero at Delancey Street with an initial term of 25 years plus two (2) five (5) year extension options granted at the sole discretion of the Port

5	Portwide	Action	Approval of a Memorandum of Understanding with the Water Emergency Transportation Authority (WETA) regarding development of the Downtown Ferry Terminal Expansion Project and future operation and maintenance of WETA facilities along the San Francisco Waterfront
6	SWL 322-1	Action	Authorize Mayor's Office of Housing and Community Development to issue an RFP for a development of SWL 322-1
7	Pier 31	Action	Authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building and Roof Repairs

APRIL 14, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Action	Recommendations on the Waterfront Land Use Plan Review Report

APRIL 28, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 29	Informational	Presentation on Request for Proposals (RFP) for a Retail Leasing Opportunity at the Pier 29 Bulkhead Building, located at Chestnut Street and The Embarcadero
2	Pier 49	Action	Authorization to award Construction Contract No. 2772, Wharf J-1 (Pier 49) Under-Pier Sewer Replacement Project

MAY 12, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Update on the James R. Herman Cruise Terminal Activity

MAY 26, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Bayview Gateway	Informational	Presentation on the Bayview Gateway art

			project, and a proposed MOU between the Port and San Francisco Arts Commission for the use of Port property for the Bayview Gateway Art installation
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JUNE 9, 2015

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. 2762, Pier 31 Building and Roof Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Piers 30-32	Informational	Presentation on Piers 30-32 regulatory context, site considerations and Public Trust consistent improvements
2	Portwide	Informational	Presentation on quality of Port's office space portfolio & required improvements
3	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
4	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
5	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
6	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
7	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs

FEBRUARY/MARCH 2015

CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
February 24 CANCELLED	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
March 10	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
March 24	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

Disability Accommodations:

To request assistive listening devices, sign language interpreters, readers, large print agendas or other accommodations, please contact Wendy Proctor, Port's ADA Coordinator at (415) 274-0592 or via email at wendy.proctor@sfpport.com or Amy Quesada, Commission Secretary, at (415) 274-0405 or via email at amy.quesada@sfpport.com at least 72 hours in advance of the hearing. The Port's TTY number is (415) 274-0587.

Language Assistance

311 Free language assistance / 免費語言協助 / Ayuda gratuita con el idioma / Бесплатная помощь переводчиков / Trợ giúp Thông dịch Miễn phí / Assistance linguistique gratuite / 無料の言語支援 / 무료 언어 지원 / ʔᵒᵒᵒᵒ ᵒᵒᵒᵒᵒᵒ ᵒᵒᵒᵒᵒᵒ / Libreng tulong para sa wikang Tagalog

NOTICES

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights

under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Ruston by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soff@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Ruston or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.





MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request approval of travel for a member of the San Francisco Port Commission with members of Port staff to Shanghai, China to attend the Breakbulk China 2015 Conference and visit the Philippine Ports Authority, our newest sister port, for business development

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

The purpose of this item is to request approval for a member of the San Francisco Port Commission with members of Port staff to travel to Shanghai, China and Manila, the Philippines on March 12-20, 2015.

Background

The Breakbulk China Conference taking place in Shanghai March 17-20, 2015 is the largest and most important gathering in Asia for companies involved in the shipping of breakbulk and project cargo, which is the primary type of cargo shipped through the Port of San Francisco's Pier 80 terminal facility. Attending the conference will be importers and exporters, ocean carriers, logistics companies, freight forwarders, ports, and terminal operators who control or influence the port routing of breakbulk cargo and have the expertise and resources to handle oversized cargoes which require special handling.

The majority of the Port of San Francisco's breakbulk imports are sourced in Asia. Many of the Port's leading steamship customers have key offices in Shanghai, China. For the past several years, Port staff has been attending the Breakbulk China Conference in an

THIS PRINT COVERS CALENDAR ITEM NO. 10A

effort to market the Port's cargo handling capabilities, develop relationships with breakbulk cargo stakeholders and identify new cargo opportunities for the Port. Port staff has successfully generated new cargo activity from past conferences and have been able to develop new relationships that will serve the Port's cargo interests in the future.

China has increasingly garnered the global spotlight with its growth in exports and imports of breakbulk and project cargo. China's dynamic economy has become not only a huge consumer of raw materials and finished commodities for domestic use, but also a supplier to foreign infrastructure construction projects. Panelists during two days of the conference program will discuss China's involvement in the world's breakbulk and project cargo transportation and whether this trend will continue in coming years. This discussion is important for the Port of San Francisco since China is a major source of breakbulk and project cargo to Pier 80 and it will be helpful to know if this trend will continue into the future.

Exhibitors include the world's major ocean carriers, freight forwarders and ports that handle specialized heavy-lift, project and breakbulk cargoes. In addition to a bustling exhibition floor, Breakbulk China will feature a 2-day conference with top speakers addressing industry issues. Over 4,000 people will be in attendance. Port of San Francisco representatives will visit current and potential customers at their exhibition booths to sell Port facilities and also will have the opportunity to network with customers at conference luncheons and receptions. Port staff also will set up separate meetings with ocean carrier representatives, importers, exporters, our Port of Shanghai sister port and trading companies.

The attendance of Commission Vice President Willie Adams will add additional prestige to the value of our trade development meetings particularly with his leadership position in the International Longshore and Warehouse Union. Our current cargo terminal operator, Metro Ports, also will be attending the conference and will travel with Port staff to make joint marketing calls. Marketing calls will be made to the shipping lines Saga Welco, Grieg Star Shipping, BBC Chartering, and Siem Car Carriers and also to the Shanghai Port Authority, American Chamber of Commerce in Shanghai, ChinaSF, California-China Office of Trade & Investment, and The California Center. At these meetings Port representatives will emphasize Port of San Francisco cargo capabilities as well as how Foreign Trade Zone No. 3 (FTZ) can benefit Bay Area businesses in an effort to identify new opportunities for the Port and FTZ. Success will be measured by the number of new cargo and business leads developed during the visit to China. In past trips, the Port delegation has developed an average of ten new business leads.

Philippine Ports Authority

The Philippine Ports Authority and Port of San Francisco recognize the importance and desirability of the Philippine Ports Authority and the Port of San Francisco to be affiliated as Sister Ports primarily to promote prosperity and friendship between the two ports and secondarily to strengthen both ports, improving their competitiveness by sharing knowledge and best practices, and examining further ways to enhance economic, commercial and cultural relations between them.

On November 7, 2014, Philippine Ports Authority General Manager Juan C. Sta. Ana and his delegation visited the Port of San Francisco to officially sign the Sister Port

Agreement. He then extended an invitation to the Port of San Francisco to visit the Philippines.

Prior to the start of the China Breakbulk Conference, Port Commission Vice President Willie Adams and Port staff intend to visit the Philippine Ports Authority on March 12-16, 2015. The purpose of the trip to the Philippines is to meet with executives of our newest sister port for general information exchange. More specifically we will discuss areas of mutual interest or concern to both ports such as sea level rise, seismic issues and climate change and its impact to our properties and operations. This is also an opportune time to discuss and develop new business leads for both ports.

Recommendation

Port staff request Port Commission approval of the attached resolution authorizing Port Commission Vice President Willie Adams and members of Port staff to travel to the Philippines on March 12-16, 2015 to meet with executives of our sister Port, the Philippine Ports Authority, and to Shanghai, China on March 17-20, 2015 to attend the Breakbulk China Conference. This trip will give the Port Commissioner an opportunity to meet current and prospective Port cargo clients and encourage them to move their cargoes through Port of San Francisco facilities. The cost of this trip is covered in the Port Commission's Fiscal Year 2014-2015 budget.

Prepared by: Jim Maloney
Maritime Marketing Manager

and

Amy Quesada
Port Commission Secretary

For: Peter Dailey
Deputy Director of Maritime

**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-02

- WHEREAS, The Port of San Francisco's Pier 80 cargo facility is recognized in the industry as one of the best in the country for moving heavy-lift, project cargo and traditional breakbulk cargoes; and
- WHEREAS, The Breakbulk China Conference taking place in Shanghai, China on March 17-20, 2015 is the largest and most important gathering in Asia for companies involved in the shipping of heavy-lift, project cargo and traditional breakbulk cargoes, the cargo best suited for the Port of San Francisco's Pier 80; and
- WHEREAS, At the conference, Port representatives have the opportunity to meet and develop relationships with the leading exporters, importers, specialized ocean carriers, logistics companies, freight forwarders, and terminal operators who have the expertise and resources to handle oversized cargoes with unique handling requirements for which San Francisco is perfectly suited; and
- WHEREAS, While attending the conference, Port representatives will set up separate meetings with ocean carrier representatives, importers and exporters, Port of Shanghai representatives and trading companies; and
- WHEREAS, At these meetings Port representatives will emphasize Port of San Francisco cargo capabilities as well as how Foreign Trade Zone No. 3 (FTZ) can benefit Bay Area businesses in an effort to identify new opportunities for the Port and FTZ; and
- WHEREAS, The attendance of Port Commission Vice President Willie Adams will add additional prestige to the value of our trade development meetings particularly with his leadership position in the International Longshore and Warehouse Union; and
- WHEREAS, On November 7, 2014, the Philippine Ports Authority and the Port of San Francisco officially became a sister ports and officially signed the Sister Port Agreement; and
- WHEREAS, At the invitation of the Philippine Ports Authority's General Manager Attorney Juan C. Sta. Ana, Port Commission Vice President Willie Adams and members of Port staff intend to visit the Philippine Ports Authority prior to the start of the Breakbulk China Conference; and
- WHEREAS, The purpose of visiting the Philippine Ports Authority is to meet with executives of our newest sister port for general information exchange as well as develop new business leads for both ports; and

WHEREAS, Port staff requests approval for Port Commission Vice President Willie Adams and members of Port staff to travel to Manila, the Philippines and Shanghai, China to attend the Breakbulk China 2015 Conference; and

WHEREAS, The cost of this trip is covered in the Port's Fiscal Year 2014-2015 budget; now, therefore be it

RESOLVED, That the Port Commission hereby approves this travel request.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 10, 2015.


Secretary



MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Request authorization to award the Pier 33 North (Pier 33½) Pilot LBE Retail Opportunity to Queen's Louisiana Po'-Boy Café, LLC ("Queen's") and to enter into exclusive negotiations with Queen's for a lease subject to Port Commission approval

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

I. EXECUTIVE SUMMARY

The Port Commission held an informational presentation on January 13, 2015 regarding the Port's efforts to broaden the diversity among its retail tenants and provide opportunity for Local Business Enterprises ("LBE") through a target leasing opportunity. In conjunction with last month's meeting, staff issued a Memorandum dated January 8, 2015. Updates to such Memorandum, including a new section titled Exclusive Negotiations, are presented below in underline.

The Port Commission approved Resolution 14-24 on April 22, 2014 for the issuance of a Request for Proposal ("RFP") for a recently renovated ground level space within Pier 33½. The Port, through its Director of Real Estate, Susan Reynolds, issued the RFP through an extensive outreach to Community Based Organizations (CBO).

On August 11, 2014 all submittals were due and the Port was pleased to receive four qualified, proposals from the following parties:

- Bakeworks, LLC
- Queen's Louisiana Po'-Boy Café, LLC

THIS PRINT COVERS CALENDAR ITEM NO. 10B

¹ For a complete copy of the January 8, 2015 Memorandum, please see: <http://www.sfpport.com/modules/showdocument.aspx?documentId=9278>

- Ortega Inc. dba Bay City Bike Rentals and Tours
- Treasure A Leonard Rogers dba Electric Bicycle Superstore

The above referenced proposals were provided to a selection panel comprised of Andrea Baker and Gwendolen Wright, two small business consultants; Holly Lung, Neighborhood Program Manager for the Mayor's Office of Economic and Workforce Development; Carlos Soloranzo, CEO of the Hispanic Chamber of Commerce; Robert Davis, Port Principal Administrative Analyst assisting the Port with its LBE community outreach and participation; and Jay Edwards, Port Senior Property Manager, Northern Waterfront.

In December the Port received the panel scores and the proposals are ranked as follows:

- 1) Queen's Louisiana Po'-Boy Café
- 2) Bay City Bikes Rentals and Tours
- 3) Bakeworks
- 4) Electric Bicycle Superstore

Queen's Louisiana Po'-Boy Café (Queen's) was ranked the highest by each panel member individually and as a group collectively. Not only did their proposal score the highest and receive the most consistent marks, the panel felt Queen's best met the spirit of this pilot LBE opportunity as outlined in the original RFP.

Based on the Port Commission supportive response to the January 13, 2015 informational presentation, Port staff presents the Selection panel's recommendation and requests authorization to award the opportunity to Queen's as the most qualified Respondent to the RFP and enter into exclusive negotiation with Queen's for a lease subject to future Port Commission approval.

II. PROJECT OBJECTIVE

The Port wishes to expand opportunities to small local business enterprises and therefore competitively offered this opportunity on a targeted basis to those small businesses currently working with San Francisco community-based organizations that provide technical assistance to Local Business Enterprises (LBE).

Queen's, as the successful Respondent, proposed a retail use that serves the northern waterfront visitors, neighbors and local workforce employees. This opportunity provides a chance for a small business to grow and expand which results in increased revenue, expanded product/goods sales and job creation for local residents.

Port staff recommends that Queen's be awarded this pilot opportunity because their proposal best meets the stated criteria for an LBE and based on the recommendation of the selection panel that (i) the proposal is the most creative use; (ii) the proposal is supported by a strong business plan and financing; and (iii) Queen's is committed to ongoing technical assistance that it receives from its CBO, Bayview Hunter's Point

Renaissance Entrepreneurship Center with which it is a client.

III. RESPONDENT QUALIFICATIONS

As described in the RFP, Qualified Respondents had to demonstrate the ability to:

- operate a retail establishment and negotiate a lease and related documents for the retail facility;
- successfully create an establishment that provides the surrounding neighborhood and businesses with affordable, high quality goods and services;
- serve the visiting public and local workers and surrounding residents; and
- provide locally made foods and goods (or other products with demonstrated equivalent benefits) for sale or consumption on-site

The Port defined an LBE for purposes of the RFP as a business:

- whose primary place of business is a fixed address in San Francisco;
- client of a San Francisco non-profit CBO;
- has been in operation for a period of three years or more in San Francisco with a current business license;
- has annual sales less than \$3 million; and
- with 10 employees or less.

IV. EVALUATION PROCESS

Port staff screened all submitted proposals to determine if they were responsive to the RFP and met minimum qualifications. Responsive packages were then submitted to the selection review panel for evaluation.

The proposals were evaluated and scored by a selection review panel as described in the Executive Summary. The evaluation included but was not limited to:

- completeness and creativity of the business plan;
- financial strength and history of the Respondent business (tax returns, profit and loss statement, cash flow statement, balance sheet and pro forma, and credit history);
- business plan and pro forma for the proposed use;
- prior experience;
- proposed use of the retail site based on Port's desired use and public serving mission;
- working relationship with a San Francisco CBO whose mission is to assist LBEs with starting and growing small businesses and whose mission is dedicated to job creation; and
- references.

V. SUMMARY OF QUEEN'S LOUISIANA PO'-BOY CAFE PROPOSAL

Queen's Louisiana Po'-Boy Café's proposal met or exceeded all of the above selection criteria and scored the highest by each panel member and collectively (see attached scoring summary).

About Queen's

Queen's is owned and managed jointly by husband and wife Troy Reese and Danielle Reed-Reese. The Reese's have owned and successfully operated Queen's restaurant at 3030 San Bruno Avenue in San Francisco for over five years. They are residents of San Francisco and Danielle attended culinary school at San Francisco City College. In their proposal they have assembled a highly qualified team to assist in implementing their expansion including a Tax & Financial consultant, an Architect and respected restaurant & commercial Designer / Concept Developer. Queen's is a client of Renaissance Entrepreneurship Center, a leading Bay Area community based organization which provides advisory services to small businesses and LBE's. Queen's was recently awarded a Certificate of Honor by the Board of Supervisors for District 9, rates 4 out of 5 stars on Yelp reviews and its Po' Boy Oyster sandwich is listed in SF Scoop as one of San Francisco best sandwiches.

In their executive summary portion of the proposal Danielle and Troy share the following vision: *"Queen's Louisiana Po'-Boy Café offers authentic Cajun cuisine. Louisiana is at the heart of our unique culture created by the fusion of African, Native American and European Ancestry. Our menu is packed with over-stuffed sandwiches and dishes that originated in the heart of New Orleans. Our true claim to authenticity is our relationship building in the community. We have created an atmosphere of warmth and southern hospitality with an emphasis on the culture of Louisiana. Since 2009, Queen's Louisiana has been resilient and successful because of the sense of community we contribute to on San Bruno Avenue in San Francisco Bayview neighborhood."*

The rationale behind its expansion proposal is as follows: *"The opportunity to expand onto Pier 33½ overall means more visibility for our existing restaurant, increased revenue streams and lower barrier to entry for other small businesses. It means that there is a business located in Portola / Bayview neighborhood that is African American-owned and is not simply surviving but thriving. Our Pier 33½ site will give tourists a taste of San Francisco's rich and diverse neighborhoods."*

Business Plan

Queen's prepared an extensive business plan consisting of the following:

- Executive Summary (attached)
- Company Overview and Management Team
- Analysis of Competitors
- Target Market

- Strategy and Implementation of Marketing Plan
- Financial Plan with 5 Year Revenue Forecast, Personnel Plan and Budget
- Forecasted Financial Statements including Balance Sheet / Cash Flow
- Appendix with detailed monthly revenue and expense forecasts

Capital and Initial Operating Budget

Based on the submitted proposals, Queen's budgeted the highest up front capital investment into Port property as follows:

- \$250,000 for building improvements,
- \$100,000 for kitchen improvements,
- \$10,000 for advertising,
- \$10,000 for legal,
- \$130,000 for start-up, payroll and food costs.

Queen's proposal supplied the evidence of capital which includes \$300,000 in cash reserves and a \$500,000 line of credit which is well within the projected capital and initial operating cost budget.

Projected Profit and Loss Statement

In relation to the submitted proposals, Queen's gross sales forecast should result in one of the higher revenue producing opportunities to the Port. Their forecast was supported by a comprehensive marketing plan along with a competitive analysis of the existing restaurants in the neighborhood. Queen's provided a detailed projected Profit and Loss Statement over the term of the lease summarized as follows:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Projected Revenue	\$1,080,000	\$1,134,000	\$1,190,700	\$1,250,235	\$1,312,747
Total Direct Costs	\$324,000	\$340,200	\$357,210	375,210	383,824
Gross Margin	\$756,000	\$793,800	\$833,490	\$875,164	\$918,934
Operating Expenses	\$429,052	\$440,952	\$453,684	\$466,958	\$480,776
Operating Income	\$326,948	\$352,848	\$379,806	\$408,206	\$438,147
Total Expenses	\$857,645	\$890,925	\$926,058	\$962,870	\$1,001,429
Net Profit	\$222,355	\$243,075	\$264,642	\$287,365	\$311,318

Based on the recent Port's Monthly Sales and Rent Report for the four (4) full service restaurants located along this area of the Northern waterfront, the annual sales average is \$641 per square foot. Based on the Pier 33½ premises of 1,942 square feet, this

would equate to annual sales of \$1,244,822 which is well within the projections prepared by Queen's.

References

Port staff contacted Queen's references and they received high marks for their diligence, business planning, marketing and delivering high quality products at a reasonable price. Queen's is cited for their outstanding community participation and being a positive addition to the neighborhood. All of this is evidenced by receiving a Certificate of Honor from the Board of Supervisors as District 9's Honoree for Restaurant Appreciation Month in October 2014 (see attached Certificate).

In terms of the evaluation panel's concerns about preparing hot food in the Pier 33½ limited kitchen facilities, the references felt Queen's robust catering experience and menu flexibility would enable them to adapt to any perceived site limitations. Overall they felt their seafood oriented menu was an excellent fit along the waterfront and customers would appreciate the diversity offered by Queen's.

VI. TERMS

The Lease term will be five years. As is the Port's custom for retail properties, rent will be paid as the greater amount of either base rent or percentage rent. The proposed minimum base rent as set in the Port Commission's FY 2013-14 Rental Rate Schedule is as follows:

512 square feet	@ \$2.50 = \$1,280 per month
<u>1,430 square feet</u>	<u>@ \$2.50 = \$3,575 per month</u>
1,942 square feet	@ \$2.50 = \$4,855 per month (total)

OR 7% of gross retail sales, whichever is greater.
The monthly base rent will increase annually by 3%.

The security deposit will equal twice the base rent in the last year of the lease. Tenant will be required to provide evidence of the requisite insurance in the amount and types required by the standard Port lease. Tenant will be required to comply with all other standard Port lease terms, including Port's right to terminate, audit rights, default and remedy, indemnity, and hazardous materials provisions and all applicable City laws and Port policies.

A possible option period could be considered should the tenant reach successful benchmarks.

VII. EXCLUSIVE NEGOTIATIONS

As provided for in the RFP, Port staff will enter into an exclusive negotiation period for up to 60 days with Queen's. The terms of the lease will generally reflect the terms outlined in the above section and may also incorporate other terms generally included in

Port retail leases where tenants are making improvements, such as an initial period of rent abatement to allow the tenant to construct or improve the Premises. All terms will be negotiated with the Pilot LBE Project Objectives in mind as described above and in the RFP.

The exclusive negotiating period may be extended solely at the Port's option. Today's Port Commission action constitutes authorization to award the opportunity and negotiate for a lease agreement on terms acceptable to both parties. Following the successful negotiation of a lease, Port staff will return to the Port Commission to seek approval of the lease.

VIII. NEXT STEPS

Port staff intends to return to the Port Commission at the earliest possible opportunity to request authorization to execute a lease with Queen's Louisiana Po'-Boy Café LLC.

Prepared by: Jay Edwards
Senior Property Manager

Robert Davis
Principal Administrative Analyst

Prepared for: Susan Reynolds,
Deputy Director Real Estate

Attachments

- 1) Site location map and site plan
- 2) Queen's RFP Executive Summary
- 3) Certificate of Honor Board of Supervisors
- 4) Certification from Community Based Organization
- 5) Letters of Support

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 15-03**

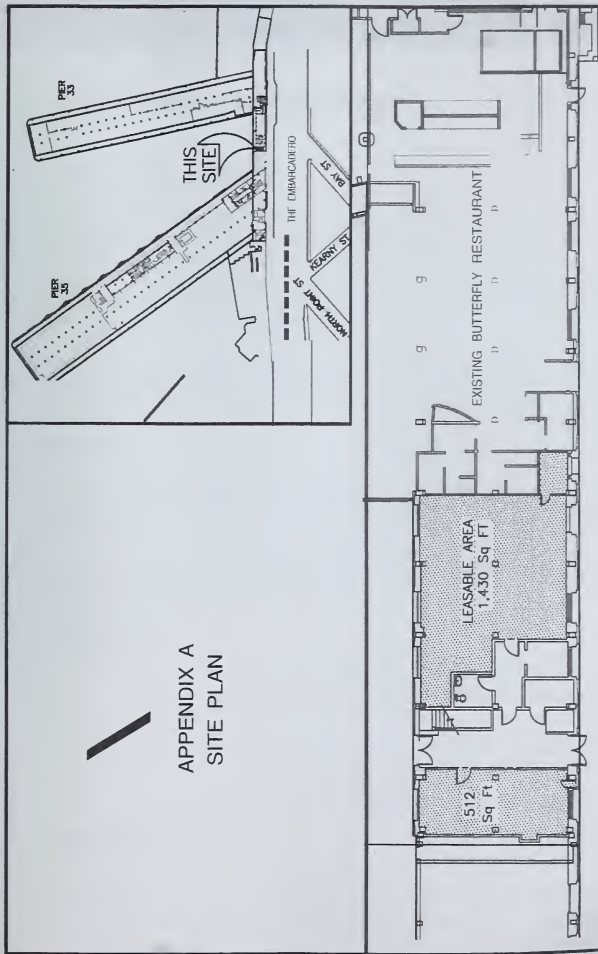
- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, pursuant to Port Commission Resolution No. 93-52 as amended by Resolution No. 11-15 in March 2011 (the Retail Leasing Policy), it is the policy of the Port Commission to competitively bid retail leasing opportunities; and
- WHEREAS, on April 22, 2014, the Port Commission approved the issuance a Request for Proposals ("RFP") (Port Commission Resolution No. 14-24), of a retail opportunity located at Pier 33 North (Pier 33 ½) for the development and operation of a retail business on the site; and
- WHEREAS, on the basis of the RFP's selection criteria, and the selection panel's evaluation of each proposal (including the review, scoring, and interviewing each respondent and their proposals), Queen's Louisiana Po'-Boy Cafe, LLC (Queen's) was found to be the most qualified respondent and Port staff is recommending that the Port Commission award the opportunity to Queen's and authorize Port staff to enter into exclusive negotiations with Queen's, and
- WHEREAS, Queen's is a limited liability company that intends to offer a casual restaurant serving Cajun Creole cuisine; and
- WHEREAS, this Resolution does not commit the Port Commission to approve a final lease or related documents, and any negotiated lease is subject to Port Commission approval at its sole discretion, and
- RESOLVED, the Port Commission has reviewed the Port staff recommendation set forth in the accompanying Memorandum and based on the information set forth therein hereby awards the lease opportunity to Queen's and further authorizes Port staff to exclusively negotiate a lease with Queen's on terms acceptable to Port and Queen's that provides maximum benefits to the Port consistent with the RFP's objectives for Port Commission approval.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 10, 2015.

Secretary



APPENDIX A SITE PLAN



SHEET NO.

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

130001

PIER 33 1/2
GROUND FLOOR

DATE: APR. 16, 2014
SCALE: 1" = 20'
SHEET NO.
OF SHEETS

Executive Summary

Executive Summary

Queen's Louisiana Po-boy Cafe is an established Cajun and Creole restaurant in business now for five years running and located in the Portola District of San Francisco. The business is organized as a Limited Liability Company (LLC) managed by its owners Troy and Danielle Reese with 50/50% ownership, respectively. Troy and Danielle have a combined total of ten years experience managing small business enterprises. Danielle's love and knowledge of food will make the transition to owning and running a second establishment at Pier 33 1/2 a natural step.

Queen's Louisiana Po-boy Cafe, LLC, aspires a second location at Pier 33 1/2 of San Francisco. The restaurant will feature a full menu of moderately priced "Comfort" food influenced by African, French, Spanish and Native American cooking traditions based upon time honored recipes from Louisiana. The decor of Queen's features an open concept featuring display cooking with a rustic San Francisco atmosphere.

This business plan offers financial institutions an opportunity to review our vision and strategic focus. It also provides a step-by-step plan for the business start-up, establishing favorable sales growth, gross margin, and profitability.

This plan includes chapters on the company, products and services, market focus, action plans and forecasts, management team, and financial plan.

Objectives

1. The objectives for the first three years of operation include
 - To create a service-based company whose primary goal is to exceed customer's expectations.
 - To increase the number of client's served by 20% per year through superior service.
 - To develop a sustainable start-up business.
 - To develop enough CASH FLOW to pay all salaries as well as GROW THE BUSINESS.

Who We Are

As business owners, we must address three main areas of concern to achieve the potential for our business:

- **Operations.** Operations include all those functions that are necessary to prepare and serve our products to customers. It includes all those activities that take place every day in the kitchen and dining areas.
- **Financial.** Financial functions deal with safeguarding cash, cost accounting, cash management, cost controls as well as operational and financial reporting.
- **Marketing.** Marketing is getting the word out about the restaurant and positioning ourselves as a positive image in the minds of our customers and the general public. It includes public relations, community involvement, advertising, promotions and projecting the right image.

Our intent is to set realistic business expectations and eliminate any question about the profitability of this business venture. Entrepreneurs have a tendency to paint the restaurant industry with a very optimistic brush, highlighting strengths and camouflaging the risks. We, as business owners, have a vested stake and financial commitment in the success of this restaurant. Our intent is to have a definitive business, financial, and marketing plan that not only serves our need for capital financing, but is utilized as our daily business roadmap. We have taken all precautions to validate our business and financial models, focusing on realistic projections. We have accomplished this as follows:

1. Our financial model is rooted in industry facts, not optimism. We have based cost on our vast industry and practical experience with similar ventures. We have taken a collective look at all figures to make solid business estimates.
2. Our business concept was derived from detailed Market Analyses. Instead of building a business around a preconceived concept, we analyzed the market findings and built a concept around our consumers. In other words, our business is built to service an unmet consumer "want."
3. Getting a system of checklists, forms and procedures developed quickly reduces disorganization and confusion during the startup of any restaurant. Getting out of the startup phase as quickly as possible after opening is key to achieving personal sanity and profitability.
4. A buffered financial plan that ensures adequate capitalization. A contingency buffer is included in the startup cost to ensure the business is not under-financed, as well as giving the business adequate funding to sustain it in the first six months of start-up. Our industry experience confirms a longer ramp-up stage. A common mistake for new entrepreneurs, but fully addressed in the business plan.
5. A solid Risk Mitigation Plan. We have evaluated traditional and nontraditional risks associated with restaurant failure and accounted for them directly in the business plan. Instead of dismissing the risks, we have identified valid mitigation strategies for each.
6. We have met the challenges of expanding our concept. By expanding our concept and having systems in place, we will enhance our ability to get the money and better enable us to manage growth. Growth without a system in place has led to the demise of many good single-unit restaurant companies. We will address this challenge by implementing an organized system for success.

2. Management Experience: Our management team has 20 years of combined business experience.

Keys to Success

The most important key to success is our location. It is very important that our location lives up to our expectations, and is convenient to as many customers as possible. Our "Type A - Profile 1" location must contain a minimum of 6,000 customers within a four block radius (or five minute walk time). The pedestrian traffic must be adequate and the lunch habits of the customers must be conducive to eating out.

Another key to this success lies with our ability to execute our plan. If we neglect one or more aspects of our plan, whether it is our numbers, our employees, our cleaning and food standards, or our commitment to customers, we will not succeed and thrive.

What We Sell

Queen's aspires to become a destination for tourists and locals. Our restaurant theme is unique and offers a dining experience that will attract tourists and locals. Queen's combines a Cajun-Creole menu selection, as well as atmosphere and ambiance to create a sense of comfort for our customers.

Queen's provides every customer with an experience that keeps them coming back for more. We represent a unique dining experience which will offer a combination of Cajun and Creole, as well as a fusion of California cuisine to greet a menu ranging from soups, salads, sandwiches and fresh seafood.

The menu is Queen's pride. It is a culmination of over twenty years of cooking. The menu contains traditional New Orleans favorites such as gumbo, po-boy sandwiches and beignets. These favorites are differentiated through the use of fresh and imported Louisiana ingredients. Everything is fresh, homemade and prepared daily.

Who We Sell To

Queen's will target locals and tourists who are active restaurant seekers. There will be a special focus on young adults with an \$100K of income looking for good food and a great time. In addition to the young adults with money to spend, Queen's will also target adults and tourists known to frequent the Embarcadero. The general demographics are males and females ages 20-50 with some or all of a college education. In addition to local San Francisco area people, Queen's will also serve patrons from neighboring cities and tourists.



Certificate of Honor

BOARD OF SUPERVISORS City and County of San Francisco

The Board of Supervisors of the City and County of San Francisco hereby issues, and authorizes the execution of, this Certificate of Honor in appreciative public recognition of distinction and merit for outstanding service to a significant portion of the people of the City and County of San Francisco by:

Queen's Louisiana Po-Boy Café

The Board of Supervisors of the City and County of San Francisco wishes to congratulate Queen's Louisiana Po-Boy Café on being selected as District 9's Honoree for Restaurant Appreciation Month, October 2014. Your delicious dishes, such as authentic Po-Boys and beignets, are a favorite of many in the community and enrich our City with Louisiana Creole culture. Thank you for your community leadership, including your support of local schools and active involvement in Bloodmobile blood drives. We deeply appreciate your contributions to the Portola neighborhood and to our entire City!

Supervisor David Campos

October 21, 2014



renaissance
entrepreneurship center

30 years

August 8, 2014

Port of San Francisco
Pier 1 The Embarcadero
San Francisco, CA 94111

**Re: Letter of Support - Queen's Louisiana Po'boy Café
Pier 33 ½ Retail Premises**

I am pleased to provide this letter of support to Queen's Louisiana Po'boy Café (Queen's Louisiana) for the Pier 33 ½ Request for Proposal issued by the Port of San Francisco. Queen's Louisiana has shown the capacity to grow their business and serve the community in a manner exemplary of small businesses. They are active participants in the Portola Neighborhood Association and work to support other small businesses in the area.

Queen's Louisiana has been a Renaissance Entrepreneurship Center (Renaissance) Client since November 2012 and has received ongoing business support services through our Renaissance Bayview Center. Renaissance brings the power of entrepreneurship to under-resourced individuals, families, and communities, creating sustainable new businesses, new jobs, and promoting financial self-sufficiency. Our programs support small business owners at every stage of development, from pre-start to launch, through growth and sustainability. The organization's cost-efficient service model contracts with highly qualified business consultants who are trained to deliver business advising and training under the supervision of Renaissance staff.

Renaissance is excited about the opportunity to assist Queen's Louisiana in opening at a 2nd location at the Pier 33 ½ site. We are confident that Queen's Louisiana will thrive at this location and provide a cultural dining experience that will serve local residents, workers and the visiting public.

Sincerely,



Marcus Tartt
Center Manager



August 10, 2014

Port of San Francisco

RE : Letter of Support
Queen's Louisiana Po-Boy Café expansion into Pier 33 ½

Dear Sirs:

The Bayview Merchants Association (BMA) is pleased to provide this letter of support to the Port of San Francisco to endorse Queen's Louisiana Po-Boy Café's expansion into Pier 33 ½. Since opening in 2009, Queen's Louisiana has been instrumental in the revitalization of San Bruno Ave., located in the southern part of the city.

We believe the expansion of Queen's Louisiana on the Pier will help scale the impact of their presence in the community. More significantly, we believe that their growth will demonstrate a commitment to diversity by the Port, and will allow visitors a greater breadth of food options.

As you know, entrepreneurship as a viable career path, and an effective tool for wealth creation. The BMA is proud to support local businesses like Queen's Louisiana as they grow and expand. We are confident that Queen's Louisiana will not simply survive but thrive in the Pier 33 ½ location.

We hope that you support our community and economic development efforts and consider our neighborhood business. Queen's Louisiana, for this wonderful opportunity.

Sincerely,

Al Norman, President



PORTOLA NEIGHBORHOOD ASSOCIATION

350 BRUNO AVE. SAN FRANCISCO CA 94134

August 8, 2014

Port of San Francisco
Pier 1 The Embarcadero
San Francisco, CA 94111

RE: Letter of Support - Queen's Louisiana Po' Boy Cafe

The Portola Neighborhood Association (PNA) is pleased to provide this letter of support to the Port of San Francisco to endorse Queen's Louisiana Po' Boy Café. Since 2009, Queen's Louisiana has served as a model of resiliency for other small and minority owned businesses in the Portola District. In addition, it has been instrumental in the revitalization of San Bruno Ave., one of the most challenged commercial corridors in San Francisco. We believe the expansion of Queen's Louisiana on the Pier will help scale the impact of their presence in our community. More significantly, we believe that their growth will allow residents in the Portola to envision entrepreneurship as a viable career path and an effective tool for wealth creation.

The PNA's mission is to revitalize San Bruno Avenue. By increasing cleanliness, providing support to existing merchants and attracting resources for physical improvements, we are building a more rich and connected Portola community. The PNA also aim to build neighborhood pride through organizing special events and creating new projects in collaborating with other community groups to improve the commercial corridor.

The Portola Neighborhood Association is confident that Queen's Louisiana will not simply survive but thrive in the Pier 33 ½ location. We hope that you support our community and economic development efforts and consider our neighborhood business, Queen's Louisiana, for this wonderful opportunity.

Regards.

Jack Tse
Corridor Manager
Portola Neighborhood Association
P: 415-574-9170
E: jack@portolasf.org

Paramount Distributions, LLC
P. O. Box 883863
San Francisco, CA 94188-368
Tel. 415-401-0073
Contact: Peter Hung, Owner

Zero Cater
115 Stillman St
San Francisco, CA 94107
Contact: Yoshi Murai, Account Manager
Phone: (415) 658-5556

Cater2Me
San Francisco, CA 94134
Contact: Alex Lorton
Phone: 415-343-5160



MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request approval of the proposed Memorandum of Agreement (MOA) between the Successor Agency to the San Francisco Redevelopment Agency and the Port Commission regarding termination of the ground leases in the Rincon Point-South Beach Project Area, operation and maintenance of South Beach Harbor, Rincon Park and other improvements, and related financial terms through the December 2016 repayment of the South Beach Harbor Revenue Bonds

DIRECTOR'S RECOMMENDATION: Approve Resolution No. 15-04

Executive Summary

On January 13, 2015 (see item 11A), the Port Commission heard an informational presentation on a proposed Memorandum of Agreement (MOA) between the Successor Agency to the San Francisco Redevelopment Agency and the Port Commission. This memorandum is substantially the same as the January staff memorandum, but requests Port Commission action on the MOA. As such a Port Commission Resolution has been added. All other changes from the prior report are underlined.

The Successor Agency to the San Francisco Redevelopment Agency (SFRDA), known as the Office of Community Investment and Infrastructure (OCII), and Port staff have negotiated a Memorandum of Agreement (MOA) to transfer SFRDA assets and operations on Port lands in the Rincon Point-South Beach Redevelopment Plan project area to the Port in a manner that is in the best interests of the Public Trust, the Port and the taxing entities.

THIS PRINT COVERS CALENDAR ITEM NO. 10C

Consistent with the State mandate to wind down redevelopment agencies and to transfer former agencies' assets, the MOA effectuates early termination of 16 ground leases between the SFRDA and the Port (shown in Exhibit 1), and the reassignment back to the Port of a ground lease that the Port had previously assigned to the SFRDA. The SFRDA's subtenants would become Port tenants and certain rights and obligations regarding the operation and maintenance of South Beach Harbor and Rincon Park would transfer to the Port. The Port would assume the SFRDA's unmet public access permit obligations under the San Francisco Bay Conservation and Development Commission (BCDC) permit for the South Beach Harbor project.

The Port would assume the California Division of Boating and Waterways (Cal Boating) loans that financed construction of South Beach Harbor. South Beach Harbor is projected to generate sufficient revenues to meet these loan obligations. Further, the pledge of security for the loans will be solely South Beach Harbor revenues. Additionally, the Port is exploring loan restructuring with Cal Boating and reconsideration with BCDC of the outstanding public access permit obligations to avail revenue for current and future Harbor maintenance and capital needs.

The purpose of the MOA is to terminate ground leases between the SFRDA and the Port, to transfer SFRDA assets to the Port, and to establish financial terms through repayment of the South Beach Harbor Revenue Bonds. The proposed MOA is structured so that OCII retains the obligation for the Revenue Bonds that were issued to finance construction of South Beach Harbor, including the obligation to use pledged tax increment revenue from South Beach Harbor to repay the Revenue Bonds. South Beach Harbor revenues would be used to make up the shortfall consistent with the Revenue Bond indenture. Pledged tax increment totaling approximately \$250,000 per year is not sufficient to make debt service payments which total \$1.4 million annually. The MOA will terminate once the Revenue Bonds are repaid in December of 2016.

Strategic Objective

The proposed MOA is consistent with the original intent of the Redevelopment Plan for the Rincon Point – South Beach project area and the ground leases between the SFRDA and the Port, which provide for the termination of the ground leases and return of the property to the Port after SFRDA's completion of the improvements described in the Redevelopment Plan. The State Legislature adopted Chapter 310 of the California Statutes of 1987 (Chapter 310) to authorize the Port to lease the Rincon Point and South Beach land to the SFRDA for the purpose of implementing the Redevelopment Plan, including the construction of the Delancey Street and Steamboat Point residential projects, two public waterfront parks and a small boat harbor. Chapter 310 recognized the superior financing tools of the SFRDA such as tax increment to construct the improvements. Chapter 310 also provided for the termination of the ground leases and return of the property and improvements to the Port for long term management for the benefit of the Public Trust upon completion of the improvements. The improvements are substantially complete with only the outstanding BCDC public access permit requirements yet to be completed.

South Beach Harbor is a recreational marina and is consistent with the Port's maritime mission. The other retail and park improvements are all consistent with the Public Trust and Chapter 310 specifically authorized the residential uses on the Seawall Lots. Further, operating and managing these assets are within the Port's skill sets and core functions (the Mayor's Office of Housing will continue to manage the Delancey Street and Steamboat Point residential projects as they have done since the dissolution of the SFRDA). The strategic objective of the Port is to terminate the ground leases and accept the associated obligations without requiring the use of Port funds. The proposed financial terms of the MOA are in the best interest of the Harbor Fund because revenues from South Beach Harbor will repay outstanding South Beach Harbor obligations and will finance capital improvements to meet existing permit requirements and maintain the facility. Likewise, the Delancey Street and Steamboat Point residential projects generate positive cash flow and do not require the use of any Harbor Funds. These funds will be used to maintain Rincon Park when the GPS payments are exhausted, as described below. Further, early termination will allow the Port to more effectively manage South Beach Harbor and the surrounding properties for the benefit of the Public Trust.

Background

The SFRDA was founded in 1948 with the mission to alleviate blight and revitalize deteriorated areas of the City. Operating through designated redevelopment areas, known as project areas, the SFRDA attracted private investment, and leveraged public resources to increase the City's supply of affordable housing, improve public facilities and infrastructure, create jobs and expand the local economy. The SFRDA undertook redevelopment of the Rincon Point – South Beach project area beginning January 5, 1981. To implement the Rincon Point - South Beach project, between 1984 and 2002 the SFRDA entered into 16 ground leases with the Port and developed on the property two waterfront parks, a 700 slip small boat marina harbor, mixed-income housing and retail projects. The ground leases authorized SFRDA to sublease the property. The Port also assigned to the SFRDA a lease that the Port previously entered into with the Ships Clerks Association of the I.L.W.U. for a parcel located within the redevelopment area.

Through a series of State legislative and court actions, the State's redevelopment agencies, including the SFRDA, were dissolved effective February 1, 2012 and their activities, including the eventual wind-down of their operations, were taken over by successor agencies. The successor agency for the SFRDA is called the Office of Community Investment and Infrastructure (OCII).

Since dissolution in February of 2012, OCII and the City have worked to develop a transition plan to wind down SFRDA operations. State Redevelopment Dissolution Law requires successor agencies to dispose of the real property holdings of the former redevelopment agency and to prepare, for state review and approval, a Property Management Plan ("PMP") that describes the method of disposition. OCII's PMP includes the Port assuming responsibility for certain SFRDA assets and operations,

including South Beach Harbor and Rincon Park. This proposal provides for early termination of the 16 ground leases which would otherwise expire in 2050 or earlier if the project improvements are complete, and a reassignment of the I.L.W.U. lease to the Port. The authorizing State legislation (Chapter 310) for the Rincon-Point South Beach project area does require that this early termination be in the best interest of the Public Trust and that the Port obtain the concurrence of the California State Lands Commission if the termination occurs before the improvements are complete. State law further obligates OCII to dispose of SFRDA assets in a manner aimed at maximizing value for the taxing entities. Port and OCII have negotiated the terms of the MOA to protect both the Public Trust and the taxing entities by ensuring that South Beach Harbor generates sufficient revenues to support existing obligations, and future capital requirements. The MOA is consistent with OCII's PMP, which is currently under review by the California Department of Finance.

Property Description

Exhibit 1 is a list of 16 leases that will be terminated and an I.L.W.U. lease which will be reassigned to the Port, including the names of the subtenants, rents and terms. Exhibits 2A and 2B contain maps of the property described below.

South Beach Harbor and Pier 40

There are 10 ground leases which make up South Beach Harbor, the Pier 40 complex and related park land. The tenant base at Pier 40 is made up of a number of small maritime related businesses, a bike rental company and Carmen's Restaurant. Most of these tenants are currently on short term or month to month leases and licenses. South Beach Harbor is a full service marina, consisting of 700 slips with concrete docks, a 640' recreational and commercial Guest Dock, Pier 40 Maritime Center and South Beach Park, and includes a lease with the South Beach Yacht Club.

Inland Park Area

Adjacent to South Beach Harbor and north of AT&T Park are 2 parcels, one of which is subject to the lease for the Ship's Clerk's Association Building, which is the administrative office building for the I.L.W.U., that will be reassigned to the Port. The other parcel has a ground lease, and that the other is subject to a sub-lease license between the Port former SFRDA and China Basin Ballpark Company for parking adjacent to the ballpark.

Seawall Lot Leases

There are 4 ground leases that are on Seawall Lots located on the west side of The Embarcadero. These leases are long term leases used by the former SFRDA for the development of the Delancey Street project and a 108 unit affordable housing project known as the Steamboat Point apartments. Adoption of the MOA and termination of the ground leases will not affect the ownership of the improvements constructed, which will remain in the hands of the non-profit developers who sublease the property until the expiration of the development subleases in 2050.

Rincon Park

There is one ground lease for the portion of Port property that makes up most of Rincon Park. An encroachment permit is also in place for a small portion of Herb Caen Way that is also within the park area.

OCII is responsible for management, maintenance and security of the Park, but has contracted with the Port to provide these services. The park contains a large sculpture called Cupid's Span for which GPS Management Services (GPS), an affiliate of the GAP, provides funding for maintenance and repair of the sculpture for 65 years (beginning in 2001) under a letter agreement between the SFRDA and GPS.

South Beach Harbor Outstanding Obligations and Financial Condition

The construction of South Beach Harbor was financed through an issuance of \$23.9 million in Variable Rate Demand Refunding Bonds, 1986 Issue A (Revenue Bonds) and three California Division of Boating and Waterways (Cal Boating) loans totaling \$8 million. There are currently \$3.27 million in Revenue Bonds and \$7.07 million in Cal Boating loans outstanding. The Revenue Bonds will be repaid December 2016. The loans, issued for a 50 year term, mature in 2034, 2035 and 2036. The source of repayment for the Revenue Bonds is net revenues that the SFRDA receives from South Beach Harbor, including tax increment. Repayment for the loans is funded from revenues from South Beach Harbor and is subordinate to repayment of the Revenue Bonds.

At the June 12, 2012 Port Commission meeting, Port staff made an informational presentation to the Port Commission with a proposal for the Port to assume full management responsibility for the SFRDA assets and terminate the 16 ground leases and I.L.W.U. lease reassignment once the parties negotiated terms and conditions that made doing so in the best interest of the Public Trust. At that time, Port staff found that South Beach Harbor required significant subsidy because of (1) an operating budget deficit of approximately \$800,000 per year, (2) long term debt described above, and (3) unmet BCDC permit obligations due December 31, 2017 referred to as "Phase Three Public Access Improvements."

Port staff presented several options for addressing the budget shortfall and sought Port Commission direction. Following Port Commission direction, Port staff worked with OCII staff to develop a package to change the outlook for South Beach Harbor. On February 19, 2013, the OCII Commission approved (i) a general 22% increase in berthing rates to be phased in over a three year period, with future annual increases based on the Consumer Price Index, (ii) the establishment of a \$600 annual fee for boat slip holders who request a second parking space (one parking space would continue to be provided at no charge to slip holders), and (iii) the establishment of an annual fee of \$75 to be charged for those who wish to remain on the Harbor wait list for boat slips. These changes generated the approximately \$800,000 in additional revenue per year needed to close the budget shortfall. Additionally, OCII has worked with the City to apply pledged tax increment to repay the Revenue Bonds in the amount of

approximately \$250,000 annually since 2013. As shown in the *Flow of Funds* section below, Port staff projects a positive 5-year outlook for South Beach Harbor.

Unmet Permit Obligations – Phase Three Public Access Improvements

The current BCDC permit for Pier 40 (issued March 1984) includes provisions for Phase Three Public Access Improvements required for the original construction of South Beach Harbor and for mixed use development within the Pier 40 shed. Phase Three Public Access Improvement requirements include improvements to the south apron for public access which currently is gated, a walk way on the breakwater, and public restrooms in the Pier 40 shed to be completed by December 31, 2017.

The Port directed a conditional assessment and cost estimate of South Beach Harbor and Pier 40, including the cost of unmet BCDC permit obligations. The Port's as-needed engineering consultant, Gerwick/SDE Joint Venture (Gerwick), performed the analysis. Gerwick found a series of required dock repairs, ADA restroom upgrades, structural repairs, and safety recommendations totaling approximately \$14.4 million. This estimate includes design contingency and soft costs. Of this amount, about half, or \$7.2 million, is needed to meet the Phase Three Public Access Improvements requirements. This estimate does not include the cost of dredging. The harbor has not been dredged since construction and boaters are reporting reduced water depth. Dredging the harbor is estimated to cost \$3.5 million.

Port staff has discussed with OCII its ability to address these outstanding permit obligations totaling approximately \$7.2 million. While OCII is obligated to use best efforts to obtain approval from the Board of Supervisors to expend additional funds to discharge any and all of the SFRDA's financial obligations under the South Beach ground leases, OCII's obligation is limited to South Beach Harbor revenues. The Redevelopment Plan's limitation on debt and use of increment was reached in 2007, which means that funding to complete the Phase Three Public Access Improvements is limited to South Beach Harbor revenues such as berthing rental revenues, lease and parking revenues, and fees for service. Securing future tax increment from South Beach Harbor would require the Board of Supervisors and the State to conclude that additional public subsidy is required for South Beach Harbor. Given that South Beach Harbor revenues can support a capital program beginning in 2017 when the Revenue Bonds are repaid, OCII and Port staff do not recommend pursuing additional tax increment for Phase Three Public Access Improvements.

The capital program resources projected to begin in 2017 are not anticipated to be sufficient to pay for the current BCDC permit Phase Three Public Access Improvements in addition to other Harbor capital needs. Port staff anticipates the need to apply for a BCDC permit amendment to revise the use program within the Pier 40 shed, and public access requirements. In working with the South Beach Harbor community during the transition, Port staff sees a unique opportunity to expand facilities for water recreational users as the focus for proposing cost-effective revised public access benefits at Pier 40 in a BCDC permit amendment application.

Terms of the Proposed Memorandum of Agreement (MOA)

The proposed MOA would terminate all 16 Rincon Point and South Beach property ground leases and reassign the I.L.W.U. lease back to the Port. All former SFRDA subleases, which include 13 tenants, would convert to direct leases with the Port.

The Port would:

- (i) Assume responsibility for the Phase Three Public Access Improvements due to be completed by December 31, 2017 to comply with the BCDL permit that was issued in March of 1984 for the original construction of the South Beach Harbor;
- (ii) Request approval from Cal Boating and assume responsibility for three Cal Boating loans with an outstanding balance of \$7.07 million;
- (iii) Transfer South Beach Harbor net revenues to OCII as required to pay the Revenue Bond debt service and salaries and fringe benefits for OCII employees assigned to South Beach Harbor per a proposed labor MOU between OCII and the Port;
- (iv) Assume full responsibility for the South Beach Harbor program, property management for other South Beach properties, and Rincon Park maintenance for the benefit of the Public Trust;
- (v) Own and maintain Cupid's Span and other Rincon Park artwork; and
- (vi) Designate South Beach Harbor as a Special Facility under the Port's Revenue Bond indenture such that South Beach Harbor Revenues will be deposited in a project account and not pledged to Port Revenue bonds.

OCII would:

- (i) Make South Beach Harbor Revenue Bond payments until the Bonds are fully repaid in December of 2016 as follows:
 - a. Apply \$688,000 in funds held by the Revenue Bond trustee for the final debt service payment on the Revenue Bonds (including investment earnings), approximately \$1.1 million of South Beach "fund balance"¹ which OCII has on hand, and South Beach Harbor revenues received from the Port, as described in the **Flow of Funds** section below, to make all required bond debt service payments; and

¹ Fund balance is accumulated South Beach Harbor revenue which OCII maintains.

- b. Obtain from the City approximately \$250,000 per year in tax increment revenues that South Beach Harbor generates, and apply this increment to repayment of the Bonds;
- (ii) Comply with all covenants as well as all other requirements of the bond indenture;
- (iii) Coordinate and cause GPS to enter into a new letter agreement with the Port stipulating that they provide to the Port funding to maintain Cupid's Span on the same terms and conditions that were in effect in the agreement between the SFRDA and GPS; and
- (iv) Transfer to the Port the final three payments from GPS totaling \$300,000 for Rincon Park security.

The MOA would become effective once the following conditions are satisfied:

1. Approval of the Port Commission, OCCI Commission, Oversight Board to the OCII, and concurrence of the California Department of Finance, and the State Lands Commission,
2. Transfer of the Cal Boating loans from the SFRDA to the Port, with a sole pledge of South Beach Harbor Revenues for repayment,
3. GPS' execution of a new letter agreement related to repair and maintenance of the Cupid's Span sculpture, and
4. Port Commission designation of the South Beach Harbor as a Special Facility under the Port's Revenue Bond indenture.

Flow of Funds and Financial Capacity to Address Capital Needs

Consistent with the SFRDA's Revenue Bond indenture, the MOA requires that until the South Beach Harbor bonds are fully repaid all revenues collected by the Port from the South Beach Harbor be used for expenses of the South Beach Harbor in the following order of priority: (i) to pay for the operating expenses of the South Beach Harbor, including the personnel costs of Port employees assigned to the South Beach Harbor, payment to OCII for the cost of OCII employees assigned to the South Beach Harbor, and funds for a commercially reasonable capital reserve; (ii) to OCII to fund the debt service requirements of the Revenue Bonds after the application of tax increment revenues, South Beach Harbor funds that OCII has on hand, and funds held by the Revenue Bond trustee; and (iii) to make the debt service payments on the Cal Boating loans.

Below is a 5 year revenue and expense projection for South Beach Harbor including Pier 40.

Below is a 5 year revenue and expense projection for South Beach Harbor including Pier 40.

	South Beach Harbor Budget and Flow of Funds				
	Port of San Francisco				
	FY 2014-15	FY2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<i>Special Facility Operating Revenues</i>					
Berthing Rental Revenues	3,370,455	3,420,761	3,523,384	3,629,085	3,737,958
Transit Berthing Revenues	354,189	364,815	375,759	387,032	398,643
Tenant Lease Rent Revenues	173,040	178,231	183,578	189,085	194,758
Parking	158,205	162,951	167,839	172,874	178,061
Wait List Fees	42,240	42,240	42,240	42,240	42,240
Miscellaneous Revenues	<u>88,434</u>	<u>90,203</u>	<u>92,909</u>	<u>95,696</u>	<u>98,567</u>
Total Facility Revenues	4,186,563	4,259,201	4,385,709	4,516,012	4,650,227
<i>Special Facility Operating Expenses</i>					
Port of SF Salaries, Overhead and Indirect	(943,950)	(1,113,135)	(1,146,529)	(1,180,925)	(1,216,353)
Other SBH Operating Expenses	(941,153)	(973,651)	(1,007,336)	(1,042,256)	(1,078,459)
* Transfer to Successor Agency	<u>(767,066)</u>	<u>(667,598)</u>	<u>(687,625)</u>	<u>(708,254)</u>	<u>(729,501)</u>
Subtotal	(2,652,169)	(2,754,384)	(2,841,490)	(2,931,435)	(3,024,313)
Funds Available After Operating Expenses	1,534,394	1,504,817	1,544,219	1,584,577	1,625,914
* Transfer to OCII for Debt Service Payment	<u>(540,980)</u>	<u>(540,567)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net After OCII Bond Debt Service Transfer	993,414	964,250	1,544,219	1,584,577	1,625,914
Loan Payment - Cal Boating Loans	<u>(535,955)</u>	<u>(535,955)</u>	<u>(535,955)</u>	<u>(535,955)</u>	<u>(535,955)</u>
Net Remaining Funds for Capital	457,459	428,295	1,008,264	1,048,622	1,089,959

Projected Harbor operating revenues and expenses for FYs 2014-15 and 2015-16 are in line with the latest two year adopted budget. Thereafter, all operating revenues and most operating expenses are projected to grow by an annual rate of 3%. As reflected above, no payments to OCII for Revenue Bond payments will be required after FY 2015-16, as the bonds will be fully repaid in December, 2016, and the final debt service payment will be paid from funds that are being held by the bond trustee for that purpose. The Port will continue to reimburse OCII for the cost of its employees that are assigned to South Beach Harbor so long as the Port opts to contract labor from OCII. With staff resignations and retirements, it is the Port's policy to hire City positions and reduce over time the reliance on contract labor from OCII.

As shown in the five-year outlook, South Beach Harbor begins generating net income in FY 2016-17 of \$1 million. Capital sources of approximately \$1 million annually will allow for a capital program conservatively valued at \$12 million to address Phase Three Public Access Improvements but not all other capital needs. Notably, the Gerwick

conditions assessment identified \$14.4 million of needed safety and other improvements including the Phase Three Public Access Improvements, and dredging the harbor will cost approximately \$3.5 million. The Port will need to work with BCDC and the boaters to develop a capital program that best meets the needs of an aging harbor and the public desire for enhanced access to water recreation. Given the Port's larger capital needs, staff is well equipped to engage in setting priorities with the boaters and BCDC and to implement a capital program for South Beach Harbor in future years.

South Beach Harbor Special Facility Designation

As previously mentioned, South Beach Harbor was partially financed through the issuance of \$23.9 million in Revenue Bonds with South Beach Harbor revenues as security for repayment of the debt. This security pledge remains in place until the bonds are fully repaid. On the other hand, under the terms of the Port's master revenue bond indenture, all Port revenues are pledged to its bondholders as security for the repayment of the Port's revenue bonds (Port Revenue Bonds). The Port's master Revenue Bond indenture, however, permits the Port Commission to designate a facility as a "Special Facility", and to exclude all revenues generated from that facility from the general security pledge of revenues provided to its bondholders. For purposes of the Port's master Revenue Bond indenture, bonds issued for the acquisition and construction of the Special Facility are designated as Special Facility bonds.

Due to the conflict with the security provisions of the South Beach Harbor and Port Revenue Bond indentures, implementation of the MOA and the associated transfer of South Beach Harbor to the Port is conditioned upon the Port Commission formally designating South Beach Harbor as a Special Facility.

In order to qualify as a Special Facility the following tests must be satisfied:

1. The Port is not in default of its outstanding Port Revenue Bond covenants.
2. The projected Special Facility revenues are sufficient to cover all projected expenses related to the Special Facility, including operating expenses and Special Facility bond debt service.
3. Excluding the revenues and expenses associated with the Special Facility, the Port's estimated net revenues coverage will be at or above the required minimum level of 1.30x during each of the next 5 years.

The South Beach Harbor facility does meet all the above tests needed to be designated as a Special Facility for purposes of the Port's master Revenue Bond indenture as shown below:

1. The Port has not been and is not now in default of its Port Revenue Bonds.

2. The projected Special Facility revenues are sufficient to service all of the projected expenses related to the facility as shown by the Flow of Funds table above, and the table showing the sources and uses of South Beach Harbor funds shown below:

Sources and Uses of South Beach Harbor Funds

	Successor Agency (OCII)				
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
SBH-Related Funding					
SBH-Related Tax Increment Payments	250,000	250,000	0	0	0
Funds on Hand at Agency (net fund balance) (total = \$1,152,316 at 6/30/14/)	576,158	576,158	0	0	0
Funds on Hand at Bond Trustee			686,813	0	0
Transfer of Operating Funds to OCII - Total	<u>1,308,046</u>	<u>1,208,165</u>	<u>687,625</u>	<u>708,254</u>	<u>729,501</u>
Total SBH-Related Successor Agency Funding	2,134,204	2,034,323	1,374,438	708,254	729,501
SBH-Related Expenses					
Agency Employees Working at SBH (salaries, fringe, overhead & retiree costs)	(767,066)	(667,598)	(687,625)	(708,254)	(729,501)
SBH Bond Debt Service Payment	<u>(1,367,138)</u>	<u>(1,366,725)</u>	<u>(686,813)</u>	<u>0</u>	<u>0</u>
Total SBH-Related Successor Agency Expenses	(2,134,204)	(2,034,323)	(1,374,438)	(708,254)	(729,501)

3. The Port's estimated net revenues coverage will be at or above the required minimum level of 1.30x during each of the next 5 years as shown in the table below which was developed the March 2014 sale and issuance of the Port's 2014 Revenue Bonds.

Port Revenue Bonds Projected Debt Service Coverage For Fiscal Years Ending June 30, (Amounts in Thousands)

	2015	2016	2017	2018	2019
Revenue					
Maritime	\$18,032	\$19,159	\$19,933	\$20,365	\$20,829
Real Estate	68,053	71,725	74,872	76,651	78,184
Interest Income*	777	900	1,064	1,228	1,392
Other Revenue*	<u>1,126</u>	<u>1,151</u>	<u>1,177</u>	<u>1,203</u>	<u>1,230</u>
Total Revenues	\$87,988	\$92,935	\$97,046	\$99,447	\$101,635
Operating Expenses					
Operations & Maintenance*	\$66,599	\$68,949	\$70,950	\$73,266	\$75,500
Net Revenue	\$21,389	\$23,986	\$26,096	\$26,181	\$26,135
Debt Service on Bonds	\$4,171	\$4,176	\$4,169	\$4,174	\$4,177
Projected Net Revenue Coverage on Bonds (times)	5.13x	5.74x	6.26x	6.27x	6.26x

* calculated in accordance with the Port's revenue bond indenture

To complete the Special Facility designation process, following the Port Commission's designation of South Beach Harbor as a Special Facility, Port staff will prepare and file with the Port's Bond Trustee a report demonstrating that the Port has satisfied the three tests described above, along with an opinion of Bond Counsel related to the South Beach Harbor Revenue Bonds issued by the SFRDA.

Other Rincon Point - South Beach Leases

The Port currently earns about \$410,000 annually from the other ground leases in the Rincon Point - South Beach project area. It also receives funds from the OCII to reimburse it for the costs of providing security and maintenance for Rincon Park. In FY 2013-14, the Port received approximately \$186,000 in reimbursement. When the MOA becomes effective, the income generated from these properties will increase to approximately \$701,000; however, the Port will be solely responsible for the approximately \$186,000 that it spends annually on Rincon Park maintenance and security, for a net increase of approximately \$105,000 annually. Additionally, the Port will receive a one-time payment of \$300,000 from OCII that will help to offset some of the Port's Rincon Park expenses over the next couple of years. As described above this amount represents funds received from GPS for park security costs.

Implementation of the MOA with OCII is the Best Interest of the Port and the Public Trust

Port staff believes that it is in the best interest of the Port and the Public Trust to implement the proposed MOA between the Port and OCII, including: (i) the termination of all ground leases and agreements related to the Rincon Point and South Beach Harbor properties described above, (ii) assignment of the lease for the Ships Clerk's Association building from OCII to the Port, (iii) the Port's assumption of the obligation to repay the outstanding balances on the three Cal Boating loans, and (iv) the Port's assumption of the obligations to complete the Phase Three Public Access Improvements required under the BCDC permit issued for the construction of South Beach Harbor. Port staff believes that the benefits to the Port and the Trust outweigh the \$14 million in obligations because these obligations will be met with South Beach Harbor revenues. Further, terminating the leases provides the Port the following benefits:

1. Improvements Added to the Port – The transfer of improvements completed by the SFRDA to the Port will be of substantial value to the Port, both in financial and public service terms. The improvements have a recorded value of approximately \$14 million on the SFRDA's balance sheet (excluding Rincon Park and Cupid's Span). This value will be booked on the Port's balance sheet following lease termination.
2. Potential For Additional Revenue - The Pier 40 subtenants currently generate about \$173,000 per year in rental income. Many of the subleases, however, have expired and the subtenants are currently on month-to-month holdover status.

Implementing the MOA will give the Port direct control over these subleases, thereby allowing the Port to negotiate new leases with these tenants, and bring the rents up to current market rates. Such action will increase the revenues earned from this facility. Additionally, Carmen's Restaurant, a Pier 40 tenant, is in bankruptcy and generating minimal rent for OCII. Gaining control of the sublease would permit Port staff to exercise the right to terminate the lease and put the space out to bid.

3. More Effective Management of the Area - The termination of the OCII ground leases will allow the Port to have direct and complete control over the Port lands in the Rincon Point - South Beach project area, including South Beach Harbor. This control will permit the Port to manage more effectively the area for the benefit of the public.

Next Steps

Following Port Commission approval of the proposed MOA, Port staff will work with Cal Boating to assume three Cal Boating loans, implement the designation of South Beach as a Special Facility, and seek concurrence from the State Lands Commission that the termination of the ground leases is in the best interests of the Public Trust.

Port staff will also work with OCII staff to obtain approval of the MOA from the OCII Commission, the Oversight Board and the California Department of Finance, and secure from GPS Management Services or an affiliate the unpaid amounts owed for security of Rincon Park, and an executed letter agreement committing to the continued funding of the maintenance of the Cupid's Span sculpture.

Prepared by: Lawrence Brown, Financial Analyst
Finance and Administration Division

Elaine Forbes, Deputy Director
Finance and Administration Division

Exhibit 1: List of Ground Leases, Rincon Point Subtenant, Rent and Term
Exhibit 2: Map of Rincon Point-South Beach Property
Exhibit 3: Draft MOA

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-04

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco ("City"); and
- WHEREAS, The San Francisco Redevelopment Agency ("SFRDA") was founded in 1948 with the mission to alleviate blight and revitalize deteriorated areas of the City; and
- WHEREAS, In 1981, the City's Board of Supervisors approved the Redevelopment Plan for the Rincon Point – South Beach Project Area ("Redevelopment Plan"); and
- WHEREAS, The City, through the Port Commission, owns property within the Rincon Point-South Beach Project Area including Rincon Park, Pier 40, South Beach Harbor and Seawall Lots on the west side of the Embarcadero, as more particularly described in the staff memorandum attached hereto; and
- WHEREAS, To implement the Redevelopment Plan, between 1984 and 2002, (i) the SFRDA entered into 16 ground leases with the Port for premises within the Rincon Point-South Beach Project Area; (ii) the SFRDA developed on the premises two waterfront parks, a 700-slip small boat marina harbor known as South Beach Harbor, mixed-income housing, and retail projects; and (iii) the Port assigned to the SFRDA a lease that the Port previously entered into with the Ships Clerks Association of the I.L.W.U.; and
- WHEREAS, The construction of South Beach Harbor was financed through an issuance of \$23.9 million in Variable Rate Demand Refunding Bonds, 1986 Issue A maturing in December 2016 ("Revenue Bonds"), and three California Division of Boating and Waterways ("Cal Boating") loans totaling \$8 million, maturing in 2034, 2035 and 2036; and
- WHEREAS, Authorizing State legislation for the Rincon Point – South Beach Project Area (Chapter 310 of the California Statutes of 1987) requires that upon the completion of the last of the improvements proposed by the Redevelopment Plan, the SFRDA offer to terminate the ground leases, and the Port to accept the termination, unless to do so would not be in the best interests of the Public Trust, and further provides that the SFRDA may terminate the ground leases prior to completion of these

improvements if the Port first obtains the concurrence of the California State Lands Commission that the termination is in the best interest of the Public Trust; and

WHEREAS, By 2007, the SFRDA had substantially completed the redevelopment objectives for the Rincon Point – South Beach Project Area other than certain public access improvements required to be completed by December 31, 2017 under the San Francisco Bay Conservation and Development Commission ("BCDC") permit authorizing the development of South Beach Harbor, which public access improvements have not been completed due to lack of public funding or private investments; and

WHEREAS, Through a series of State legislative and court actions, the State's redevelopment agencies, including the SFRDA, were dissolved effective February 1, 2012, and their activities, including the eventual wind-down of their operations, were taken over by successor agencies (the successor agency for the SFRDA is known as the Office of Community Investment and Infrastructure or "OCII"); and

WHEREAS, State legislation requires that successor agencies dispose of the assets and properties of the former redevelopment agencies expeditiously and in a manner aimed at maximizing value for the taxing entities; and

WHEREAS, Since dissolution in February 2012, OCII and the City have worked to develop a transition plan to wind down SFRDA operations, and since July 1, 2012, the Port has been managing South Beach Harbor on behalf of OCII; and

WHEREAS, OCII and Port staff have negotiated a Memorandum of Agreement described in the Staff Memorandum to transfer the former SFRDA assets and operations on Port land in the Rincon Point-South Beach Project Area in a manner that is in the best interests of the Public Trust, the Port and the taxing entities; and

WHEREAS, The Memorandum of Agreement provides for, among other things, (i) termination of the ground leases and certain related agreements between the Port and the SFRDA associated with the Rincon Point-South Beach Project Area upon the satisfaction of certain conditions precedent described in the Memorandum of Agreement and the Staff Memorandum; (ii) conversion of SFRDA's tenant subleases under the ground leases into direct leases between the Port and the SFRDA's subtenants; (iii) reassignment of the Ships Clerks Association lease to the Port; (iv) termination of all of the agreements between the Port and SFRDA relating to Rincon Park, and transfer of the Cupid's Span sculpture to the Port; (v) the Port's assumption of the SFRDA's

obligations under the BCDC permit and the Cal Boating loans; and
(vi) the establishment of financial terms between the Port and OCII until repayment of the Revenue Bonds; and

WHEREAS, Port staff believes that implementation of the Memorandum of Agreement, including the associated transfer of South Beach Harbor to the Port, termination of the ground leases and reassignment of the Ships Clerks Association lease to the Port, will provide benefits to the Port that are described in the Staff Memorandum, and that it is in the best interest of the Port and the Public Trust to implement the Memorandum of Agreement; and

WHEREAS, Implementation of the Memorandum of Agreement is conditioned upon the Port Commission formally designating South Beach Harbor as a Special Facility under the Port's Revenue Bond Master Indenture of Trust dated February 1, 2010 ("Port Bond Indenture"), due to a conflict between the security provisions of the SFRDA's indenture for the Revenue Bonds and the Port Bond Indenture; and

WHEREAS, South Beach Harbor satisfies the necessary tests to qualify as a Special Facility under the Port Bond Indenture as described in the Staff Memorandum; now, therefore, be it

RESOLVED, That the Port Commission hereby finds that the implementation of the Memorandum of Agreement and the termination of the associated grounds leases and assumption of obligations as described therein are in the best interest of the Port and the Public Trust; and be it further

RESOLVED, That the Port Commission hereby approves the Memorandum of Agreement upon the terms and conditions described in the Staff Memorandum, and authorizes the Executive Director or her designee to execute the Memorandum of Agreement in such final form as approved by the Executive Director in consultation with the City Attorney; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to enter into other agreements and documents necessary to implement the transactions contemplated by the Memorandum of Agreement, and to enter into any additions, amendments or other modifications to the Memorandum of Agreement that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the Port, do not materially decrease the benefits or otherwise materially increase the obligations or liabilities of the Port, and are necessary or advisable to complete the transactions contemplated by the Memorandum of Agreement, such determination to be conclusively evidenced by the execution and delivery by the

Executive Director or her designee of such other agreements, documents, and/or additions, amendments or other modifications to the Memorandum of Agreement; and be it further

- RESOLVED, That the Port Commission authorizes the Executive Director and any other appropriate officers, agents or employees of the Port to take any and all steps as they or any of them deems necessary or appropriate, in consultation with the City Attorney, in order to consummate the transactions contemplated by the Memorandum of Agreement, or to otherwise effectuate the purpose and intent of this resolution, including, but not limited to, seeking (i) approval from Cal Boating for the Port to assume the three Cal Boating loans issued for South Beach Harbor, and (ii) concurrence from the State Lands Commission that the termination of the ground leases is in the best interests of the Public Trust; and be it further
- RESOLVED, That the Port Commission hereby designates South Beach Harbor as Special Facility under the Port Bond Indenture; and be it further
- RESOLVED, That the Port Commission approves, confirms and ratifies all prior actions taken by the officials, employees and agents of the Port with respect to the Memorandum of Agreement.

I hereby certify the foregoing resolution was adopted by the Port Commission at its meeting of February 10, 2015.

Secretary

Exhibit 1**Rincon Point - South Beach Redevelopment Area Leases****South Beach Property Leases****South Beach Harbor and Pier 40**

<u>Lease Number</u>	<u>Sub-Area</u>	<u>Subtenant</u>	<u>Sub-Lease No.</u>	<u>Sub Lease Annual Rent</u>	<u>Sub Lease Expiration</u>	<u>Primary Lease Expiration</u>
L-11694	N-1C	Carmen's Restaurant	L-15144		4/6/2013	9/25/2050
L-11183	N-1A	Bike Hut	L-15129	\$4,092	1/15/2012	9/25/2050
L-11595	N-1B	America True	15751	\$160	mtm	9/25/2050
		Bay Area Cellular Telephone Co.	L-15092	\$50,115	3/31/2015	
		Cal Marine Electronics	L-15095	\$8,009	mtm	
		City Kayak	L-15098	\$9,777	5/8/2014	
		North Beach Marine Canvas	L-15096	\$10,573	2/28/1999	
		South Beach Riggers	L-15094	\$5,883	9/30/1996	
		Spinnaker Sailing	L-15097	\$13,843	4/16/1996	
		Westwind Precision	L-15093	\$6,144	11/8/2009	
L-15250	S-3			\$0	9/25/2050	9/25/2050
L-10892	N-2	South Beach Yacht Club	L-15128	\$61,511	11/15/2015	9/25/2050
L-15244	N-2			\$0	n/a	9/25/2050
L-11110	S-2			\$0	n/a	9/25/2050
L-10891	S-1			\$0	n/a	9/25/2050
L-15246	S-6			\$0	n/a	9/25/2050
L-15245	M-5			\$0	n/a	9/26/2050

Inland Park Area

L-12079	M-3, M-4A, S-1D & S-5	China Basin Ballpark Co.		\$50,997	9/26/2050	9/26/2050
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SWL Leases

L-11426	K-1	Steamboat Point Apartments	L-15151	\$107,316	6/30/2050	9/25/2050
L-11639	K-2	Steamboat Point Apartments	L-15151	--	6/30/2050	9/25/2050
L-11337	J	Delancey Street		\$530,930	9/26/2050	9/26/2050
L-11409	S-4			\$0	9/25/2050	9/25/2050

Rincon Point Leases

Rincon Park						
L-15221				\$0	n/a	8/31/2066

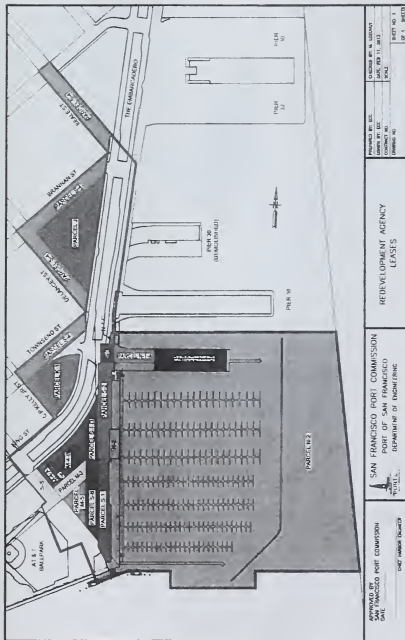
Reassignment of Property Lease Back to the Port**Inland Park Area**

L-7721	M-4B	Ships Clerks Association - Lease Assigned to the Successor Agency		\$35,756	n/a	12/1/2035
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mtm = month to month

EXHIBIT 2A

Map of Leased Land (Port Leases - South Beach)

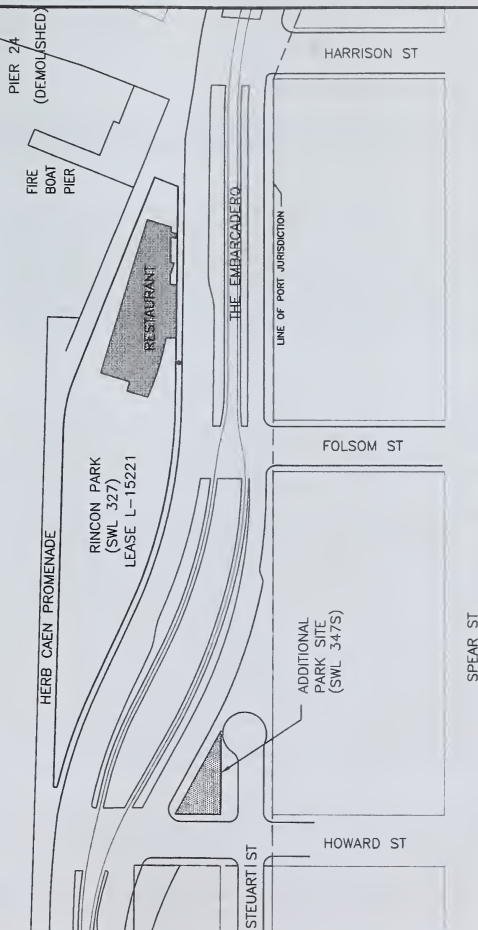


Legend:

Sub-areas	Leases	Sub-areas	Leases
J	L-11337	C-1	L-10891
K-1	L-11426	S-1	L-10890
K-2	L-11659	S-2	L-15246
M-3, M-4A, S-1D, S-5	L-12079	S-3	L-11183
M-4B	L-7721	S-4	L-11595
		S-6	L-11694
			L-10892
			L-15244

EXHIBIT 2B

Map of Leased Land (Port Leases - Rincon Point)



SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

REDEVELOPMENT
AGENCY

DRAWN BY: ECC
CHECKED BY: L. BROWN
PLACE CODE NO.
DATE: JAN. 6, 2015
SCALE: 1"=160'
SHEET NO.
3270-00
OF SHEETS

**MEMORANDUM OF AGREEMENT REGARDING TERMINATION OF LEASES
RELATING TO SOUTH BEACH PROPERTY AND RINCON PARK**

THIS MEMORANDUM OF AGREEMENT REGARDING TERMINATION OF LEASES RELATING TO SOUTH BEACH PROPERTY AND RINCON PARK (this "Agreement") is made and entered into as of the ____ day of _____, 2015, by and between the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public body, organized and existing under the laws of the State of California (the "Successor Agency"), also known as the Office of Community Investment and Infrastructure, and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the "City"), acting by and through the San Francisco Port Commission (the "Port").

RECITALS

A. In accordance with the California Community Redevelopment Law, California Health and Safety Code section 33000 et. seq., the City created the Redevelopment Agency of the City and County of San Francisco (the "Redevelopment Agency") and approved redevelopment plans to alleviate blight in various parts of the City. For more than 60 years, the Redevelopment Agency was engaged in state-authorized activities to implement those plans.

B. The Redevelopment Agency played a critical role in alleviating physical and economic blight in disadvantaged neighborhoods in San Francisco by attracting private investment and leveraging public resources to increase the City's supply of affordable housing, improve public facilities and infrastructure, create jobs and expand the local economy.

C. The Board of Supervisors of the City and County of San Francisco ("Board of Supervisors") originally approved the Redevelopment Plan for the Rincon Point – South Beach Project Area ("Original Redevelopment Plan") by adopting Ordinance No. 14-81 on January 5, 1981. Since then, the Board of Supervisors has amended the Original Redevelopment Plan ten times. (The Original Redevelopment Plan, as so amended, is referred to herein as the "Redevelopment Plan.") The objectives of the Redevelopment Plan broadly include, among other things, providing for the creation of two major waterfront parks, a small boat harbor, restoration and adaptive re-use of certain structures, mixed-income housing, a major league ballpark, and other redevelopment consistent with the standards and guidelines contained in the document entitled Design for Development Rincon Point – South Beach Redevelopment Project ("Design for Development"). The Design for Development establishes zoning and land use standards for new construction and the rehabilitation of buildings in the area covered by the Redevelopment Plan.

D. The City, through its Port, owns and holds in trust certain waterfront real property pursuant to Chapter 1333 of the California Statutes of 1968, as amended (the "Burton Act"), and that certain agreement dated January 24, 1969, between the State of California and the City, with respect to the transfer in trust to the City of the lands described and referred to in the Burton Act. Under this public trust, the Port owns and controls certain waterfront real property, which may be either tidal and submerged lands or areas that were formerly tidal or submerged lands, for the purpose of protecting the public's interest in commerce, navigation, and fisheries ("Public

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Trust"). Section B3.581 of the San Francisco Charter empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction (collectively, the "Port Lands").

E. In 1987, the California Legislature authorized the City to lease certain Port Lands, subject to the Burton Act, to the Redevelopment Agency for the purpose of implementing the Redevelopment Plan. Chapter 310 of the California Statutes of 1987 ("Chapter 310").

F. Between 1984 and 2002, the Port and the Redevelopment Agency entered into 15 ground leases identified on Exhibit A, attached hereto (collectively, the "South Beach Leases") for certain Port Lands depicted on Exhibit B, attached hereto (the "South Beach Property"). The various South Beach Leases contain similar terms and conditions providing for, among other things, an effective and economically feasible mechanism for the Redevelopment Agency to improve the South Beach Property through subleases by which third party subtenants would develop or rehabilitate particular sites ("Development Subleases"). The South Beach Leases also authorize subleases by which third party subtenants have the right to occupy certain Port property, but do not have an obligation under the subleases to develop it ("Occupancy Subleases"). The South Beach Leases have terms expiring in 2050 or providing for earlier termination under certain circumstances, including where improvements are complete. *See e.g.* Lease L-10892, Section 3 (a) (ii) (Dec. 7, 1984) ("The Agency shall terminate this Lease . . . once it has completed all of its development in the Rincon Point/ South Beach Redevelopment Project Area and has determined that such development will be satisfactorily maintained in the absence of its continued involvement.") Significantly, the South Beach Leases limit the financial obligations of the Redevelopment Agency to revenues that it receives from the Rincon Point-South Beach Project Area ("Project Area"); however, the Redevelopment Agency is obligated to use best efforts to obtain approval from the City's Board of Supervisors to expend additional funds to discharge any and all of the Redevelopment Agency's financial obligations under the South Beach Leases if the revenues from the Project Area are insufficient.

G. Chapter 310 requires the Redevelopment Agency, not later than the date of completion of the last of the improvements that are proposed by the Rincon Point-South Beach Redevelopment Project, to offer to terminate the South Beach Leases and further requires the Port to accept the termination unless to do so would not be in the best interests of the Public Trust. Chapter 310 also provides that the Redevelopment Agency may terminate the South Beach Leases prior to completion of these improvements if the Port first obtains the concurrence of the California State Lands Commission that the termination is in the best interest of the Public Trust in furtherance of which the Port Lands were granted to the City. Chapter 310 broadly refers to the Rincon Point-South Beach Redevelopment Project improvements as including "a 683-berth marina and harbor complex, two major shoreline parks, and transportation improvements to the Embarcadero and other streets" and certain "housing and commercial development" and refers to the "superior financing methods" of the Redevelopment Agency to complete these improvements.

H. In 1984, the San Francisco Bay Conservation and Development Commission ("BCDC") initially approved a permit authorizing the use of, and certain improvements to, areas covered by the South Beach Leases. Subsequently, the permit was amended seventeen times; the most recent amendment occurred in 2008. Amendment No. 17 to BCDC Permit 2-84 (November 5, 2008) ("BCDC Permit"). The Redevelopment Agency and the Port are co-permittees to the BCDC Permit, which currently requires "Phase Three Public Access Improvements" to be completed by December 31, 2017. The South Beach Leases require the Redevelopment Agency, at its sole cost and expense, to comply with all legal requirements,

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including any direction or occupancy certificate issued pursuant to any public officer or officers insofar as they relate to or affect the condition, use or occupancy of the leased premises; provided, however, that the Agency obligations were subject to the limitation, described in Recital F above, "that notwithstanding any provision of [the South Beach] Lease[s] to the contrary, all financial obligations of the Agency under [the] Lease[s] . . . shall be limited to revenues which the Agency derives from the Rincon Point-South Beach Redevelopment Project Area."

I. In connection with the development of the small boat harbor (the "South Beach Harbor Project"), the Redevelopment Agency issued Redevelopment Agency of the City and County of San Francisco/Variable Rate Demand Refunding Bonds, 1986 Issue A (South Beach Harbor Project) (the "Bonds") in the aggregate amount of \$23,900,000. The maturity date of the Bonds is December 1, 2016 and the annual debt service payment on the Bonds is approximately \$1,378,000 per year (each, a "Bond Debt Service Payment"). Under the Bond's Indenture of Trust dated December 1, 1986 ("Bond Indenture"), the Bonds are a special obligation of the Redevelopment Agency secured only by Net Revenues (as defined in the Bond Indenture) that the Redevelopment Agency receives from the South Beach Harbor Project. Net Revenues include tax increment from the South Beach Harbor Project and all income and receipts derived by the Redevelopment Agency from the operation of the South Beach Harbor Project after payment of Operating Expenses (as defined in the Bond Indenture). The Redevelopment Agency established a dedicated bank account with Wells Fargo (#4121853444) to receive South Beach Harbor deposits and revenues and to pay operating expenses ("SBH Bank Account").

J. The Redevelopment Agency and the City also financed development of the South Beach Harbor Project with construction loans in the aggregate amount of \$8,000,000 (collectively, the "Cal Boating Loans") from the California State Parks Division of Boating and Waterways (formerly the California Department of Boating and Waterways) ("Cal Boating") pursuant to the Small Craft Harbor Construction Loan and Operation Contract dated July 23, 1983, between the Redevelopment Agency and Cal Boating (as amended from time to time, the "Cal Boating Agreements"). The Cal Boating Loans define the borrower to include both the Redevelopment Agency and the City and provides, among other things, for changes in the ownership or control of the harbor with advance written approval from Cal Boating. Repayment of the Cal Boating Loans is secured by revenues from the harbor and is subordinate to repayment of the Bonds. Tax increment is not to be used for repayment except in cases of repayment default. The Cal Boating Loans currently require payments of approximately \$536,000 a year. Payment of principal and interest on the Cal Boating Loans is made in scheduled annual installments with the final installment due on August 1, 2036.

K. Pursuant to Lease L-7721 dated as of December 1, 1970 (as amended, the "Ship Clerks Lease"), the Port leased a portion of the South Beach Property to the Ship Clerks Association, I.L.W.U., Local 34. The Port assigned the Ship Clerks Lease to the Redevelopment Agency pursuant to an Assignment and Assumption Agreement dated as of December 20, 1994.

L. The Port Lands also include certain real property depicted on Exhibit C, attached hereto (the "Rincon Park Property"), which is included in the Rincon Point sub-area of the Redevelopment Plan. The Port ground leases the Rincon Park Property to the Redevelopment Agency under Lease Agreement L-15221 dated September 7, 2001 (the "Rincon Park Lease"). The Rincon Park Property has been improved with a public park known as "Rincon Park."

M. Rincon Park also encompasses a small portion of Herb Caen Way (the "Encroachment Area"), which is subject to a Revocable Encroachment Permit (the

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"Encroachment Permit") between the Redevelopment Agency and the Port dated September 7, 2001. The Encroachment Area and several Street Lamps located along a portion of Herb Caen Way are required to be maintained by the Redevelopment Agency pursuant to the Encroachment Permit and the Rincon Park Street Lamps Agreement between the Redevelopment Agency and the Port dated September 7, 2001. The Redevelopment Agency also is required to provide security and landscaping maintenance for the area of Rincon Park immediately surrounding the public restroom pursuant to the Rincon Park Public Restroom Security Agreement between the Redevelopment Agency and the Port dated September 7, 2001.

N. Rincon Park displays sculptured artwork created by Claes Oldenburg and Coosje Van Bruggen known as "Cupid's Span" (the "Sculpture"). D&DF Foundation, a charitable trust (the "Foundation"), granted the Sculpture to the Redevelopment Agency and installed the Sculpture at Rincon Park in accordance with the Grant Agreement dated September 4, 2001, between the Foundation and the Redevelopment Agency. Under the Grant Agreement, the Redevelopment Agency may transfer ownership of the Sculpture to any other agency of the State of California or the City contemporaneously with a transfer of the Rincon Park Property, provided that such transfer is subject to the terms of the Grant Agreement. The Sculpture is required to be maintained by the Redevelopment Agency pursuant to a Letter Agreement between GPS Management Services, Inc. ("GPS") and the Redevelopment Agency dated September 7, 2001, which provides for GPS' funding of maintenance and repair of the Sculpture for the initial 65 year term of the Rincon Park Lease (the "Letter Agreement").

O. The Port maintains and manages Rincon Park, including the Encroachment Area, the Street Lamps and the Sculpture, pursuant to the Rincon Park Maintenance and Management Agreement (the "Rincon Park Management Agreement") dated as of January 2, 2003, between the Redevelopment Agency and the Port. The Rincon Park Lease, the Rincon Park Management Agreement, the Encroachment Permit, the Rincon Park Street Lamps Agreement, and the Rincon Park Public Restroom Security Agreement are collectively referred to in this Agreement as the "Rincon Park Agreements."

P. By 2007, the Redevelopment Agency had substantially achieved the objectives of the Redevelopment Plan, including completion of major public and private improvements by investing millions of dollars of tax increment and other revenues and approving new development in the Project Area. Significantly, it had also reached the Redevelopment Plan's limitations on the amount of debt that it could incur (\$100,000,000) and the amount of total tax increment revenues that it could receive cumulatively over the life of the Redevelopment Plan for redevelopment activities (\$230,000,000). See Ordinance No. 115-07, Section 1. a. & b. (May 18, 2007). Among the substantially completed improvements for the South Beach Harbor Project were the small boat harbor consisting of approximately 700 berths and incidental facilities in the South Beach Sub-Area where Piers 42, 44 and 46A had been located.

Q. As a result of the substantial completion of the Project Area and the tax increment limitations described in Recital P above, the Board of Supervisors limited, by Ordinance No. 115-07 (May 18, 2007), the Redevelopment Agency's use of additional tax increment revenue from the Project Area to financing its unfulfilled Affordable Housing Obligations under Community Redevelopment Law and paying preexisting indebtedness.

R. Certain land use and zoning standards in the Design for Development applicable to new development proposals were not implemented because of a lack of public funding or private investment. In particular, the Urban Design Guidelines of the Design for Development required that if and when Pier 40 was developed the new development should "[p]rovide

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continuous peripheral public access along the water sides of Pier 40, including sitting and fishing areas except for portions of the pier which may remain in ship repair use and related activities, where such public access might conflict. A prominent sitting area should be located at the eastern end of the pier." Design for Development, Section IV. B. at p. 9. The Urban Design Guidelines of the Design for Development, however, did not impose an affirmative obligation on the Redevelopment Agency to complete the Pier 40 Improvements in the absence of development proposals for Pier 40.

S. Under Assembly Bill No. X1 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26") and the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, No. S194861, all redevelopment agencies in the State, including the Redevelopment Agency, were dissolved by operation of law as of February 1, 2012. The redevelopment agencies' non-affordable housing assets and obligations and certain retained housing obligations were transferred to certain designated successor agencies. AB 26 charged the successor agencies with satisfying enforceable obligations of the former redevelopment agencies, preserving their assets for the benefit of taxing entities and winding up their affairs, under the supervision of a new oversight board and review by the State Department of Finance and State Controller. AB 26 defined enforceable obligations to include, among other things, bonds and legally binding and enforceable agreements that were entered into prior to June 28, 2011.

T. Under the original terms of AB 26, the City became the successor agency. But in June 2012, the California Legislature adopted legislation amending AB 26 known as Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12, Regular Session) ("AB 1484"), and on June 27, 2013 the Governor signed that bill, which went into effect immediately. AB 26 and AB 1484 are primarily codified in Part 1.8 (commencing with Section 34161 of the Health and Safety Code) and Part 1.85 (commencing with Section 34170 of the Health and Safety Code), as amended from time to time, and are collectively referred to in this Agreement as the "Redevelopment Dissolution Law." While the City, as the sponsoring community, was the successor agency under AB 26, AB 1484 changed that definition of successor agency and provided, among other things, that successor agencies are separate public entities from the public agencies that provide for their governance and the two entities shall not merge and that the liabilities of the former redevelopment agencies shall not be transferred to the sponsoring entities and the (non-housing) assets shall not become assets of the sponsoring entities, but shall become the liabilities and assets of the successor agency.

U. The City implemented AB 1484 in Board of Supervisors Ordinance No. 215-12, which, among other things, provides that the Successor Agency shall act in the place of the former Commission of the dissolved Redevelopment Agency to implement, modify, enforce and complete the surviving redevelopment projects, approve contracts and actions related to the Successor Agency's assets, and take any action that the Redevelopment Dissolution Law requires or authorizes on behalf of the Successor Agency and any other action that the Successor Agency deems appropriate with the Redevelopment Dissolution Law to comply with such obligations.

V. By operation of law under AB 1484 and as provided in Ordinance No. 215-12, the Successor Agency is now the successor agency to the former Redevelopment Agency and is distinct from the City, including its Port, but is still subject to the governance of the City acting through its legislative capacity.

W. Under AB 1484, a successor agency, as directed by its oversight board, has the obligation to dispose of assets and properties of the former redevelopment-agency expeditiously

Exhibit 3: Draft dated February 2, 2015

and in a manner aimed at maximizing value for the taxing entities; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of assets pursuant to existing enforceable obligations relating to the construction or use of the asset. On November 25, 2013, the Oversight Board for the City and County of San Francisco approved a long range property management plan ("PMP") for the Successor Agency that calls for the termination of the South Beach Leases and the Rincon Park Lease under the terms of Chapter 310 and the leases themselves because the Rincon Point – South Beach Redevelopment Project is substantially complete with the exception of repaying the Bonds and providing the public access improvements required under the BCDC Permit, Oversight Board Resolution No. 12-2013, Exhibit A, Tab 5D. Both Chapter 310 and the South Beach Leases are enforceable obligations under Cal. Health & Safety Code § 34171 (d) (1).

X. In addition, AB 1484 provides for the transfer of assets for governmental use, Cal. Health & Safety Code § 34191.3. The South Beach Leases and the related improvements constructed on the South Beach Property are assets constructed and used for a governmental purpose because they fulfill the Public Trust as required under Chapter 310 and provide public improvements, such as a park, walkways, streets, and access to the San Francisco Bay. The Rincon Park Agreements and the related improvements constructed on the Rincon Park Property are also assets constructed and used for a governmental purpose because they provide open space, artwork, and infrastructure dedicated for public access and benefit.

Y. On July 1, 2012, the Port commenced operating and managing the South Beach Property and the Rincon Park Property on behalf of the Successor Agency. Consistent with Chapter 310, the South Beach Leases and the Redevelopment Dissolution Law, the parties now desire to terminate the South Beach Leases for all of the South Beach Property including the South Beach Harbor Project. The parties also desire to terminate the Rincon Park Agreements on the terms described in this Agreement. The Successor Agency has determined that the last of the improvements proposed by the Redevelopment Plan are substantially complete with the exception of repaying the Bonds and providing the public access improvements required under the BCDC Permit, and the Port has determined that termination of the South Beach Leases and the Rincon Park Agreements prior to full completion is in the best interest of the Public Trust.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Successor Agency and the Port agree as follows:

1. **EFFECTIVE DATE.** The Effective Date of this Agreement and the parties' rights and obligations hereunder shall be the latest of (a) the date on which this Agreement is approved by the Oversight Board, if the California Department of Finance ("DOF") does not request to review this Agreement within the five-day statutory review period provided under the Redevelopment Dissolution Law, (b) the date on which this Agreement is approved by DOF if DOF does request to review this Agreement within the five-day statutory review period provided under the Redevelopment Dissolution Law, (c) the date on which this Agreement is approved by the Port Commission, or (d) the date on which all of the Closing Conditions described in Section 10 below have been satisfied or mutually waived in writing by the Port and the Successor Agency. This Agreement shall terminate on the earlier of June 30, 2017 or the date the Bonds are paid in full, subject to any rights and obligations that specifically survive the termination under the terms of this Agreement.

2. **SOUTH BEACH PROPERTY.**

2.1. Termination of South Beach Leases. On the Effective Date, all of the South Beach Leases are hereby terminated, neither the Successor Agency nor the Port shall have

Exhibit 3: Draft dated February 2, 2015

any rights or obligations under the South Beach Leases other than any rights or obligations that specifically survive termination under the terms of the South Beach Leases. The Port acknowledges that the Successor Agency has entered into Development Subleases and Occupancy Leases for portions of the premises subject to the South Beach Leases as described on Exhibit D, attached hereto. As provided in the South Beach Leases, the Development Subleases and the Occupancy Leases, the termination of South Beach Leases shall not result in a termination of the Development Subleases or the Occupancy Leases, and the subtenants under the Development Subleases and the Occupancy Leases shall attach to the Port and their subtenancies shall continue as direct leases between the Port and the subtenants identified in the Development Subleases and the Occupancy Leases.

2.2. Transfer of SBH Account. Immediately following the Effective Date of this Agreement, the Successor Agency shall cooperate to transfer any remaining balance in the SBH Bank Account to a City account designated by the City Controller or Treasurer controlled by the Port for the benefit of the South Beach Harbor Project.

2.3. Assignment of Ship Clerks Lease. As of the Effective Date, the Successor Agency hereby assigns to the Port all of its right, title and interest in and to the Ship Clerks Lease. From and after the Effective Date, the Successor Agency shall not have any rights or obligations under the Ship Clerks Lease other than any rights or obligations arising prior to the Effective Date.

2.4. BCDC Permit. As of the Effective Date, the Successor Agency shall not have any obligation to complete the Phase Three Public Access Improvements required under the BCDC Permit, and the Port shall assume such obligation.

3. RINCON PARK AGREEMENTS.

3.1. Termination of Rincon Park Agreements. As of the Effective Date, the Rincon Park Agreements are hereby terminated. From and after the Effective Date, neither the Successor Agency nor the Port shall have any rights or obligations under the Rincon Park Agreements other than any rights or obligations that specifically survive termination under the terms of the Rincon Park Agreements. Full jurisdiction over the Rincon Park Property, including Rincon Park, shall revert to the Port as of the Effective Date and the Port shall be responsible for the operation and management of such property.

3.2. Rincon Park Artwork. Works of art, including the Sculpture and other sculptures, bas-relief, murals, mosaics, decorative water features, tapestries or other artworks (collectively, "Artwork"), have been placed on the Rincon Park Property. Notwithstanding the terms of Section 12.2 of the Rincon Park Lease, the Successor Agency shall not have any right to remove any of the Artwork (including the Sculpture) from the Rincon Park Property and the Successor Agency shall quitclaim all of its right, title and interest in the Artwork (including the Sculpture) to the Port subject to Section 4 of the Grant Agreement and in accordance with Section 4 below.

3.3. Maintenance of the Sculpture. The Sculpture is required to be maintained by the Redevelopment Agency pursuant to the Letter Agreement between GPS and the Redevelopment Agency described in Recital N above, which provides for GPS' funding of maintenance and repair of the Sculpture for the initial 65 year term of the Rincon Park Lease. As part of the Redevelopment Agency's February 29, 2000 approval of the basic concept and schematic design for Rincon Park, the Redevelopment Agency required The Gap, or its assignee GPS, to execute a letter to the Redevelopment Agency describing The

Exhibit 3: Draft dated February 2, 2015

Gap's maintenance and repair obligations for the Sculpture during the 65-year term of the Rincon Park Lease. As part of the termination of the Rincon Park Lease, the Letter Agreement will also terminate. As a Closing Condition under Section 10 below, the Successor Agency will have GPS execute an identical letter agreement addressed to the Port confirming GPS' maintenance and repair obligations until August 31, 2066.

3.4. Rincon Park Security. Under the Disposition and Development Agreement (as amended, the "Gap DDA") dated January 10, 1995 between GPS, as successor-in-interest to The Gap, Inc., and the Redevelopment Agency, GPS agreed to provide the Redevelopment Agency with One Hundred Thousand Dollars (\$100,000.00) per year (each, an "Annual Security Payment") for ten (10) years to fund the Redevelopment Agency's security obligations at Rincon Park, which the Port performs on behalf of the Redevelopment Agency in accordance with the Maintenance and Management Agreement. As a Closing Condition under Section 10 below, the Successor Agency will transfer the three (3) remaining Annual Security Payments to the Port.

4. QUITCLAIM; ASSIGNMENT AND ASSUMPTION AGREEMENT. Concurrently herewith, the Successor Agency shall deliver to the Port a duly executed and acknowledged (i) Quitclaim Deed in substantially the form attached hereto as Exhibit E, quitclaiming all of its right, title and interest in the South Beach Leases, the Rincon Park Agreements, the South Beach Property and the Rincon Park Property, including all improvements constructed on the South Beach Property and the Rincon Park Property, all Artwork (including the Sculpture) placed on the Rincon Park Property, and all tangible and intangible personal property located on or used in connection with the operation and management of the South Beach Property and the Rincon Park Property; and (ii) Assignment of Lease in substantially the form attached hereto as Exhibit F, assigning to the Port all of its right, title and interest in and to the Ship Clerks Lease.

5. OPERATION OF, AND COLLECTION OF PROJECT REVENUES FOR, THE SOUTH BEACH HARBOR PROJECT.

5.1. Collection of Project Revenues. Subject to the terms of the Bond Indenture, the Port shall maintain and operate the South Beach Harbor Project and collect all income and receipts from the operation of the South Beach Harbor Project ("Project Revenues"). Project Revenues include fees, rentals for services and facilities and other amounts defined as "Revenues" in the Bond Indenture, including available fund balance derived from project revenues in the SBH Bank Account, with the exception of tax increment from the South Beach Harbor Project and income and revenues derived from investment of funds held by the Trustee under the Bond Indenture. For purposes of maintaining and operating the South Beach Harbor and collecting Project Revenues, the Port shall act as the agent of the Successor Agency under the Bond Indenture. The Port shall collect Project Revenues in accordance with the Port's Collection Policy and Accounts Receivable Write-Off Policy, to the extent that those policies are consistent with the Bond Indenture. The Port shall cause the South Beach Harbor Project to be designated a Special Facility under the indenture for the Port's Series 2014 Revenue Bonds and Project Revenues shall be deposited in a project account designated by the City Controller or Treasurer for the South Beach Harbor Project.

5.2. Use of Project Revenues. Project Revenues shall used for the following obligations as they accrue in the following order of priority:

(a) First, to pay all costs and expenses defined as "Operating Expenses" in the Bond Indenture and incurred by the Port in connection with the operation, management and

Exhibit 3: Draft dated February 2, 2015

maintenance of the South Beach Harbor Project including, but not limited to, salaries, fringe benefits and overhead for Port employees assigned to the South Beach Harbor, the Successor Agency Staff Obligation payable to the Successor Agency in accordance with Section 5.3 below, and a commercially reasonable capital reserve;

(b) Second, to the Successor Agency to fund Bond Debt Service requirements remaining after application of tax increment revenues collected from South Beach Harbor in accordance with Section 5.4 below; and

(c) Third, to make debt service payments currently due and payable under the Cal Boating Loan.

5.3. Successor Agency Staff Obligation. The parties acknowledge that certain services at South Beach Harbor will be provided by Successor Agency employees in accordance with a separate Memorandum of Understanding between the Successor Agency and the Port (the "Agency Staff MOU"). The Port shall pay to the Successor Agency the actual amount of the direct salary expense and fringe benefits for the Successor Agency's employees assigned to the South Beach Harbor Project ("Successor Agency Staff Obligation"); provided, that the Successor Agency Staff Obligation shall be capped at the following amounts:

\$767,066 for Fiscal Year 2014-15;

\$667,598 for Fiscal Year 2015-16; and

\$687.625 for Fiscal Year 2016-17.

The Port's obligation under this Section 5.3 will survive the termination of this Agreement and will remain in effect until the expiration or earlier termination of the Agency Staff MOU.

5.4. Bond Debt Obligation. The Successor Agency shall be responsible for complying with all debt covenants and other requirements of the Bond Indenture. The Successor Agency will make Bond Debt Service Payments using the following sources until the Bonds are fully repaid:

(a) tax increment revenues collected from South Beach Harbor and pledged as security for the repayment of the Bonds (estimated at approximately \$250,000 a year, net of AB 1290 pass-throughs);

(b) Project Revenues provided by the Port, as described in Section 5.2 of this Agreement;

(c) with respect to the final Bond Debt Service Payment, from the reserve fund (including investment earnings thereon) held by the Bond Trustee with a balance of approximately \$630,000 as of December 31, 2014.

5.5. Notwithstanding anything in this Agreement to the contrary, the Port shall not be required to advance any moneys derived from any source other than Project Revenues for repayment of the principal of the Bonds or interest thereon or any other purposes under the Bond Indenture.

6. BOOKS AND RECORDS; AUDITS.

Exhibit 3: Draft dated February 2, 2015

6.1. Books and Records. Port agrees to keep books and records for the South Beach Harbor Project, including segregated financial and budgetary accounting, in a manner that accommodates the preparation of separate financial reports for the South Beach Harbor Project that may be requested by the Successor Agency. The Port shall maintain all records with respect to all matters covered by this Agreement in accordance with the Port's customary records retention requirements.

6.2. Audits. Upon at least fifteen (15) days prior written notice, during normal business hours and no more than once each Fiscal Year (or more if otherwise requested by the Successor Agency and agreed to by the Port in its sole discretion), the Port shall make available to the Successor Agency or its representatives for examination all records specifically related to this Agreement that are necessary and appropriate for the Successor Agency's compliance with the Bond Indenture and applicable laws and regulations.

7. INDEMNIFICATION.

7.1. General. The Port shall indemnify, defend and hold harmless the Successor Agency and its boards, commissions, officers and employees from any and all claims, damage, injury or loss arising out of the negligent acts or omissions or willful misconduct of the Port, its officers and/or employees in the performance of its obligations under this Agreement. The Successor Agency shall indemnify, defend and hold harmless the Port and the City and their respective boards, commissions, officers and employees from any and all claims, damage, injury or loss arising out of (i) the negligent acts or omissions or willful misconduct of the Successor Agency, its officers and/or employees in the performance of its obligations under this Agreement and (ii) the Successor Agency's failure to perform any of its obligations under the Bonds. In the event of concurrent negligence of the Port or the City and the Successor Agency, the liability shall be apportioned under the California theory of comparative negligence as presently established or as may hereafter be modified.

7.2. Limitation on Liability. In no event shall the Port, the City or the Successor Agency be liable, regardless of whether any claim is based on contract or tort, for any special, consequential, indirect or incidental damages, including lost profits, arising out of or in connection with this Agreement or any activities performed in connection with this Agreement.

8. **INSURANCE.** The Port shall procure and maintain, as an Operating Expense, all insurance coverages required under the Bond Indenture and the Cal Boating Agreements and any additional coverages consistent with the Port's customary practice or as required by the City's Risk Manager. All such policies shall be endorsed to name as additional insureds the Successor Agency, the Port, the City and their respective officers, directors, employees and agents, as well as all parties that are required to be named as additional insureds under the Bond Indenture and the Cal Boating Agreements.

9. DEFAULT AND REMEDIES.

9.1. Events of Default. The occurrence of any one or more of the following events shall constitute an event of default by the defaulting party:

(a) failure to pay when due any monetary amount due under this Agreement, which failure is not cured within thirty (30) days after receipt of written notice of the default; and

Exhibit 3: Draft dated February 2, 2015

6.1. Books and Records. Port agrees to keep books and records for the South Beach Harbor Project, including segregated financial and budgetary accounting, in a manner that accommodates the preparation of separate financial reports for the South Beach Harbor Project that may be requested by the Successor Agency. The Port shall maintain all records with respect to all matters covered by this Agreement in accordance with the Port's customary records retention requirements.

6.2. Audits. Upon at least fifteen (15) days prior written notice, during normal business hours and no more than once each Fiscal Year (or more if otherwise requested by the Successor Agency and agreed to by the Port in its sole discretion), the Port shall make available to the Successor Agency or its representatives for examination all records specifically related to this Agreement that are necessary and appropriate for the Successor Agency's compliance with the Bond Indenture and applicable laws and regulations.

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7.1. General. The Port shall indemnify, defend and hold harmless the Successor Agency and its boards, commissions, officers and employees from any and all claims, damage, injury or loss arising out of the negligent acts or omissions or willful misconduct of the Port, its officers and/or employees in the performance of its obligations under this Agreement. The Successor Agency shall indemnify, defend and hold harmless the Port and the City and their respective boards, commissions, officers and employees from any and all claims, damage, injury or loss arising out of (i) the negligent acts or omissions or willful misconduct of the Successor Agency, its officers and/or employees in the performance of its obligations under this Agreement and (ii) the Successor Agency's failure to perform any of its obligations under the Bonds. In the event of concurrent negligence of the Port or the City and the Successor Agency, the liability shall be apportioned under the California theory of comparative negligence as presently established or as may hereafter be modified.

7.2. Limitation on Liability. In no event shall the Port, the City or the Successor Agency be liable, regardless of whether any claim is based on contract or tort, for any special, consequential, indirect or incidental damages, including lost profits, arising out of or in connection with this Agreement or any activities performed in connection with this Agreement.

8. INSURANCE. The Port shall procure and maintain, as an Operating Expense, all insurance coverages required under the Bond Indenture and the Cal Boating Agreements and any additional coverages consistent with the Port's customary practice or as required by the City's Risk Manager. All such policies shall be endorsed to name as additional insureds the Successor Agency, the Port, the City and their respective officers, directors, employees and agents, as well as all parties that are required to be named as additional insureds under the Bond Indenture and the Cal Boating Agreements.

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(a) failure to pay when due any monetary amount due under this Agreement, which failure is not cured within thirty (30) days after receipt of written notice of the default; and

(b) failure to perform any other obligation under this Agreement, which failure is not cured within thirty (30) days after receipt of written notice of the default, provided, that if the default cannot be cured within thirty (30) days, the defaulting party shall not be in default under this Agreement if the defaulting party commences to cure the default within such thirty (30) day period and diligently and in good faith continues to cure the default.

9.2. Remedies. Upon the occurrence of a default that is not cured with the applicable cure period, the non-defaulting party may exercise any remedy available to the non-defaulting party at law or in equity by statute or otherwise.

10. COOPERATION; CLOSING CONDITIONS. The Port and the Successor Agency shall cooperate on matters related to the implementation of this Agreement. The parties agree to seek the concurrence of the State Lands Commission, Cal Boating, the Oversight Board, and the California Department of Finance to the extent that termination of the South Beach Harbor Leases and/or the Rincon Park Agreements requires the review or approval of those agencies. In particular, the Port and Successor Agency agree to secure, as conditions precedent to the Effective Date ("Closing Conditions"), (i) Cal Boating's approval of (1) the Port as the only "Borrower" under the Cal Boating Loans, (2) the Port's management of South Beach Harbor, (3) subordination of the Cal Boating Loans to the Port's Revenue Bonds, (ii) GPS' execution of the Sculpture maintenance letter described in Section 3.3 and delivery of the GPS Annual Security Payments to the Port as described in Section 3.4; (iii) the State Lands Commission's concurrence that the termination of the South Beach Leases is in the best interests of the Public Trust; and (iv) the Port Commission's designation of the South Beach Harbor Project as a Special Facility under its Revenue Bond Indenture.

11. CONTROLLER'S CERTIFICATION OF FUNDS. The terms of this Agreement shall be governed by and subject to the budget and fiscal provisions of the Charter of the City and County of San Francisco. Notwithstanding anything to the contrary contained in this Agreement, there shall be no obligation for the payment or expenditure of money by the Port or the Successor Agency under this Agreement unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the Charter of the City and County of San Francisco, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

APPROVED AS TO FORM:

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN
FRANCISCO,
a public body, corporate and politic

By: _____
James B. Morales
Interim General Counsel and Deputy
Director

By: _____
Name: Tiffany Bohee
Title: Executive Director

Exhibit 3: Draft dated February 2, 2015

APPROVED AS TO FORM:

DENNIS J. HERRERA,
City Attorney

CITY AND COUNTY OF SAN
FRANCISCO, a municipal corporation, acting
by and through the San Francisco Port
Commission

By: _____
Eileen M. Malley
Deputy City Attorney

By: _____
Name: Monique Moyer
Title: Port Executive Director

Exhibit A – List of South Beach Leases
Exhibit B – Diagram of South Beach Property
Exhibit C – Diagram of Rincon Park Property
Exhibit D – List of Development Subleases
 and Occupancy Subleases
Exhibit E – Form of Quitclaim Deed
Exhibit F – Form of Assignment of Lease



MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Informational presentation by the Mayor's Office of Housing and Community Development on city-wide affordable housing plan

Director's Recommendation: Informational Only

At the request of Port Commission President Leslie Katz and Commissioner Doreen Woo Ho, the Mayor's Office of Housing and Community Development (Housing Office) has been invited to make a presentation to the Port Commission about ongoing, city-wide, affordable housing programs including potential affordable sites at the Port and the proposal to develop affordable housing on SWL 322-1.

The Housing Office is continuously looking for strategies to meet the affordable housing needs of the City. Additionally, Mayor Ed Lee has appointed a Mayor's Housing Working Group (Working Group) consisting of housing tenants and advocates, affordable and market-rate developers, realtors, property owners, and staff from the Mayor's Office and City Departments. The Housing Office recently commissioned demographic and market studies to aid the Working Group to develop a set of strategies for preserving and producing more housing affordable to a wide spectrum of San Franciscans needing relief from the current dearth of affordable housing.

During its forthcoming presentation, the Housing Office plans to elaborate on the Working Group's recommended strategies that include:

1. focus on preserving affordability in existing neighborhoods;
2. increasing affordable housing units in new developments; and
3. increasing affordable housing stock by a significant percentage.

THIS PRINT COVERS CALENDAR ITEM NO. 11A

Housing Office staff also plans to provide an update on its pipeline, geographical distribution of affordable housing sites, and potential sites for affordable housing on Port's properties, presently including SWL 337, Pier 70, and SWL 322-1.

NEXT STEPS

On March 11, 2014, the Port Commission approved a Memorandum of Understanding (MOU) between the Port and the Housing Office. The Housing Office is to secure (through a request for proposals (RFP)) a non-profit affordable housing developer to carry out required predevelopment and development activities, including site/building design review with stakeholders and submittal of an environmental evaluation application for California Environmental Quality Act review.

Since the approval of the MOU, Housing Office staff have conducted and continue to conduct outreach to all stakeholders, including forming a neighborhood working group, to solicit and receive comments informing proposed RFP goals/objectives, particularly: (1) site/building design considerations respectful of the rich architectural and historic character of the Site's location within the Northeast Waterfront Historic District and (2) the type of affordable housing that meets the Housing Office's priority.

Port and Housing Office staff plan to return to the Port Commission in March 2015 to present the draft RFP to the Port Commission and the public for its review and comments.

Housing Office staff will continue to collaborate with the Port as it moves forward with the development of San Francisco Giants' plan for SWL 337 and Forest City's plan for a portion of Pier 70.

Prepared by: Ricky Tijani, Manager
Planning & Development


For: Byron Rhett, Deputy Director
Planning and Development



MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Informational Presentation on the Port's Load Restricted (Yellow with Green Hatching-Tagged) and Fully Restricted (Red-Tagged) Facilities

DIRECTOR'S RECOMMENDATION: Informational Only

Background

The Port's Facility Assessment Program (FAP) inspects, categorizes and records the condition of over 350 structures which include piers, wharves and buildings under the Port's jurisdiction. The Port's Facility Assessment Team (FAT) manages the program and is responsible for performing periodic inspections to identify health and safety issues and inform tenants and the public about its findings. Based on the structural condition of the facilities, the Facility Assessment Team makes recommendations for structure load restrictions, barricades and warning signs. The inspection findings also are used to document maintenance and repair needs for the Port facilities.

Since the Program's inception in 2002, the Facility Assessment Team has been conducting inspections of all Port facilities based on a frequency which depends on the type of building material and the type of occupancy or use of the facility. During Port Commission meetings held on March 13, 2007, September 8, 2009, and February 12, 2013, Port Staff made informational presentations about the program, describing the program protocol, objectives and accomplishments.

Executive Summary

The purpose of this presentation is to update the 2013 list of Port structures which need structural repairs. In addition, this presentation identifies those structures which Port Staff recommend should be repaired in the near future, i.e., an approximately 5 +/- year timeframe, to avoid having to shut-down (red-tag) the facilities if the repairs are not executed. Since the 2013 presentation, Port Engineering has not identified any new red

tag facilities. Exhibit No. 1 is the list of facilities with structural problems that were noted in the 2013 report and their current status. Some of these facilities remain on the yellow-tagged or red-tagged lists that follow later in this memorandum. Many of the facilities noted in Exhibit No. 1 have been repaired or are scheduled for repair in the near future.

For each facility, the structural inspection findings and recommendations are summarized in a Rapid Structural Assessment (RSA) report which includes a structural rating of the respective facility indicated by a coloring scheme shown on a schematic map of the facility. The structural rating coloring scheme is described below:

- Green (unrestricted use, good structural condition, no live load reductions/restrictions)
- Yellow with Green Hatching (restricted use, load limit signs indicating reduced live loads and/or barricades, further structural review and structural repairs required)
- Red (restricted access, unsafe, poor structural condition)

Attachment 1 graphically depicts the current structural ratings of the Port Facilities from the south to the north as of the date of this memorandum.

STRUCTURES THAT SHOULD BE REPAIRED AS SOON AS POSSIBLE

The following is a list of 8 load restricted facilities that Port Staff recommend be repaired or scheduled to be repaired in the near future (5 +/- year time frame) to avoid being degraded:

- Wharf J9 in Fisherman's Wharf

As reported in 2013, the wharf substructure and adjoining seawall are in deteriorated condition. The wharf substructure deck supports a roadway and the backfill behind the seawall is a critical structural support for the foundations of a number of Fisherman's Wharf buildings that exist adjacent to and south of the seawall. Port's A/E Consultant is finalizing the design and the project has an expected construction start date in FY 2015/16. It is anticipated that Port Maintenance will perform the work. The estimated cost of materials for these repairs is \$2 million and is currently funded. Photo will be presented in Commission presentation.

- Pier 43½ Seawall between Franciscan Restaurant and Pier 45

As reported in 2013, the Pier 43½ area has required extensive repair. The Port has substantially repaired the deck surrounding the Franciscan Restaurant. However, a section of the Pier 43½ Seawall contains dry-rotted wood lagging which needs strengthening. The damaged wood lagging may lead to loss of backfill and ultimately create sinkholes along the Little Embarcadero. The estimated cost of repairs is \$400k and the project is currently funded. Port's A/E

Consultant is finalizing the design. Port Maintenance will execute the required repair work in FY 2015/16. Photo will be presented in Commission presentation.

- Pier 35 Substructure including South Apron

Structural concrete slab and beams have incurred spalling and rebar corrosion. Port Engineering has nearly completed structural repair drawings and specifications. The estimated cost of the project is \$9 million. Port is applying to the U.S. Army Corp of Engineers for a \$6 million grant and will contribute \$3 million of Port funds to the project. If Army Corp approves the grant, then Army Corp will manage the construction. If Army Corp does not approve the grant, then the Port will invest \$3 million, currently funded, for critical repairs to keep the pier functional for the next 10 years and the Port will manage the construction. At this point the construction schedule is unknown at this time. Photo will be presented in Commission presentation.

- Pier 29 Substructure including North Apron

Inspection revealed substantial deterioration of the deck, beams, girders, and slabs. The bulkhead substructure requires \$2 million to repair and the rest of the substructure requires another \$9 million to repair. Port Engineering recommends that all structural members with severe and major damage be repaired at this time. The project will be considered for funding in FY 2016/17. Photo will be presented in Commission presentation.

- Agriculture Building East Apron and South Apron

As reported in the 2013 presentation, the East and South Aprons surrounding the Agriculture Building have experienced significant deterioration: slab rebar is missing in many locations due to corrosion. At present, the South and North Apron uses are restricted to light passenger vehicles while no vehicular traffic is allowed on the East Apron. No funding source has been identified for repair of the East and South Aprons yet. The estimated cost of repairs is \$2 million. If repairs are not made, Port Engineering will not allow vehicles to access the South Apron. Then, both the South Apron and the East Apron will only be available for pedestrian traffic. The East and South Aprons are expected to be repaired as part of the future Water Emergency Transportation Authority (WETA) Ferry Terminal Expansion Project which begins in 2016. Photo will be presented in Commission presentation.

- Pier 2 Superstructure and Substructure, Sinbad's Restaurant

The substructure includes missing and significantly damaged piles, and damaged concrete slabs and beams. The restaurant building is scheduled to be demolished as required by Port's BCDC Permit for the 34th America's Cup event and the Pier 27 Cruise Terminal Project. The demolition work is scheduled to start before March 31, 2015. Sinbad's lease terminates on March 21, 2015.

Maintenance will install fence and barriers to prevent access over damaged substructure locations.

- **Pier 54 Substructure**

Pier 54 has many damaged beams. At present, no funding source has been identified for the repairs. The estimated cost to perform the repairs is \$21 million; this includes substructure repairs and seismic strengthening. Photo will be presented in Commission presentation.

- **Pier 92 Apron Section**

All of the wood piles have incurred dry rot. Port Engineering has completed the apron repair design. The project materials cost is \$2 million and the project is currently funded with Port Capital Funds. The project is currently on hold pending approval of an Army Corp permit. The permit is estimated to be issued in 2016. Port Maintenance will perform the work. Photo will be presented in Commission presentation.

I. Yellow with Green Hatching – Tagged Facilities

The facilities tagged as yellow with green hatching all have restricted live loads. For each facility the appropriate signage has been posted indicating the respective reduced allowable live loading. All of these facilities need structural repairs. The allowable live load restrictions are based upon the respective facility's structural damage assessment.

Exhibit No. 2 lists load restricted facilities that Port Staff recommends be repaired in the future. Port Engineering estimates that these facilities can adequately perform for another 10 +/- years without executing repairs. Facilities new to the table are depicted by light shading.

II. Red - Tagged Facilities

Some red-tagged facilities may begin to fail in the near future, i.e., an approximately 5 +/- year timeframe, and require investment and/or emergency demolition.

Exhibit No. 3 is a list of red-tagged facilities that Port Staff recommend to be repaired or demolished. Facilities new to the table are depicted by light shading.

Continuous monitoring of these red-tagged facilities is included in the Facility Assessment Program to preclude the possibility of a significant collapse occurring without warning. If structural issues become more urgent (i.e., the pier is collapsing into the bay) Port Maintenance will assist, where feasible, with demolishing the remainder of the pier and picking up debris from the bay due to the collapse.

CLIMATE ACTION

Sea levels are anticipated to rise between 5 to 24 inches by 2050 and 17 to 66 inches by 2100. With rising sea levels, the available time windows for inspection, repair and maintenance of substructures of piers and wharves will slowly be reduced over time thus incrementally increasing time and expense for conducting these activities. The concrete degradation due to increased exposure to corrosive marine environment also is expected to accelerate. Port will adjust work windows, schedules and budget accordingly. It is possible that sea level rise will accelerate the decay of these facilities causing yellow-tagged piers to move more quickly into red-tagged status. However, there is no reliable way to predict how sea level rise will affect the durability of the substructures.

FUNDING

With respect to the yellow with green hatching-tagged facilities that are recommended to be repaired within five +/- years, some of those projects are fully funded, others are partially funded and some have no funding. The capital projects group is currently prioritizing the allocation of available capital funds. Regarding the remaining yellow with green hatching-tagged facilities and red-tagged facilities, the Port has very limited capital funds available for these future capital projects. The estimated total funding requirements are in the hundreds of millions of dollars whereas the annual available capital funds for Pier Repair typically total \$1.5 - \$4 million dollars. In the coming years, Port staff, under the direction of the Port Commission, will continue to set priorities for deployment of our limited resources.

SUMMARY

The Port Facility Assessment Program provides valuable information related to structural conditions of Port facilities. This information is used to identify facility public safety issues and the Port's facility repair and maintenance needs. Using this program, Port staff makes critical decisions regarding public safety and asset management, including capital allocation for maintenance and repairs, and public safety. The program findings provide a basis for Capital Plan Programs.

Prepared By: Winnie Lee, Associate Civil Engineer
and Joe Roger, Structural Engineer

For: Eunejune Kim, Chief Harbor Engineer

**Exhibit No. 1: Status of Facilities with Structural Problems,
Noted in the February 2013 Commission Presentation**

Facility	Action	Status
Pier 19 South Apron	Port Maintenance recently rebuilt this Apron.	Completed
Pier 50 Valley Substructure	Contractor completed repairs to specific areas of the substructure.	Completed
Wharf J9 Seawall and Deck	Facility is load restricted (yellow with green hatching – tagged). Structus, Inc. is preparing structural repair drawings. It is anticipated Port Maintenance will perform repairs. See also discussion in Commission Report.	In progress
Wharf J7/J8	Most of Wharf J8 has been repaired, but sections are still red-tagged, see Exhibit No. 3. Port Maintenance continuing repair of Wharf J8. Wharf J7 has been repaired by Port Maintenance.	In progress
Pier 31 Superstructure	Facility is red-tagged and Port Engineering is developing contract repair drawings and will go out to bid this Summer; see Exhibit No. 3. Port Maintenance will repair North Apron.	In progress
Pier 19 North Apron	Facility is red-tagged and scheduled to be rebuilt in two years; Port Engineering is preparing structural repair drawings; see Exhibit No. 3. Port Maintenance to schedule repairs when repair drawings are completed.	In progress
Pier 28 North Apron	Facility is being repaired by Port Maintenance as part of the Portwide Egress Project; see Exhibit No. 2.	In progress
Pier 33 North Apron	Facility is red-tagged; see Exhibit No. 3.	No plan to repair
Pier 26 North Apron	Facility is red-tagged. Port Maintenance to repair apron when funds are available; see Exhibit No. 3.	No plan to repair
Pier 28 South Apron	Facility is yellow-tagged; see Exhibit No. 2.	No plan to repair
Pier 50 Shed B Apron	Facility is load-restricted; see Exhibit No. 3.	No plan to repair

**Exhibit No. 2: Yellow with Green Hatching - Tagged Facilities
(10+/- Year Functional Lifespan)¹**

Facility	Structural Problem	Proposed Action	Funding Available
J-9 Cal Shellfish	Deteriorated and bad wood piles	The tenant will perform substructure repairs for this location in the future	N/A
Pier 43½ Red and White	Deteriorated and missing wood piles	The tenant will perform substructure repairs for this location in the future	N/A
Pier 43½ Franciscan Restaurant	Some of the wood piles have incurred dry rot.	The tenant will perform substructure repairs for this location in the future	N/A
Pier 33½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 33 Substructure	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 33 North Apron	Deteriorated and missing piles	No plans to make substructure repairs within the next 10 years.	No
Pier 31½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	Port plans to make substructure repairs within the next 10 years. COWI Marine North America to perform detailed substructure condition survey to assist with Alcatraz (National Park Service) negotiation.	Condition Survey funded.
Pier 31 Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 29½ Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 27 Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	Pier 27 Marginal Wharf was repaired as part of the Pier 27 Cruise Terminal project.	N/A

¹ Refer to facility Rapid Structural Assessment Reports (RSAs) on the Port's Intranet for additional information regarding facility damage.

Facility	Structural Problem	Proposed Action	Funding Available
Pier 29 Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 19½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 19 Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 17½ Marginal Wharf	Structural concrete slab and beams have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 9½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 9 – Portions of the North and South Apron including Bar Pilots	Damaged and deteriorated wood piles.	Apron repaired with restricted live loading. No plans to make additional substructure repairs within the next 10 years.	No
Pier 3 Substructure	Structural concrete slab, beams, and piles have incurred corrosion damage.	This work is in progress. Tenant is making substructure repairs.	N/A
Ferry Plaza Substructure (East End)	Structural concrete slab has incurred corrosion damage.	Tenant will be making substructure repairs in the near future	N/A
Pier 2 Sinbad Restaurant	Missing and significantly damaged wood piles and damaged concrete slabs and beams	Building to be demolished in Spring 2015 and Port Maintenance to install barricade around damaged substructure areas.	Yes
FAC 2780 Agriculture Building	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years. South and East Apron repairs may be part of future WETA project.	No
Pier 22.5 East Pier	Wood piles and cap beams are deteriorated.	The tenant will perform substructure repairs for this location in the future	N/A
Pier 26 Shed and S. Apron	Roof needs repair and superstructure elements have incurred dry rot.	Port Maintenance is currently repairing South Apron.	Apron Repair - Yes

Facility	Structural Problem	Proposed Action	Funding Available
Pier 26½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 28 North Apron	Concrete and wood decking in "poor" to "severe" condition.	Port Maintenance repairing apron as part of Portwide Egress Project.	Yes
Pier 28 South Apron	Concrete and wood decking in "poor" to "severe" condition	Port to repair when funds will be available.	No
P28½ Marginal Wharf	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 30-32	Structural concrete slab, beams, and piles have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	N/A
Pier 38 Substructure	Structural concrete slab and beams have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 40 Shed	Spalling exterior concrete wall panels.	This facility is in the process of being transferred to the Port. Repair plan to be determined.	No
Pier 50 Shed B Apron	Some of the wood piles have incurred dry rot.	Tenant will likely be making substructure repairs in the future	No
Pier 50 Shed A Apron	Deteriorated wood piles, cap beams, and missing piles.	The tenant will likely perform substructure repairs for this location in the future	No
Pier 50 Valley - portions	Structural concrete slab, beams, and piles have incurred corrosion damage.	Contractor completed repairs to specific areas of the substructure. No plans to make further repairs within the next 10 years.	No
Pier 68 Buildings #52, 101, 105, 111, 115, 116, and other facilities	Superstructure framing has incurred corrosion damage requiring repair.	Development of Pier 68 by public / private joint venture is ongoing.	Yes
Pier 90 Wharf Section	Substructure decking, framing, and piles have incurred dry rot.	No plans to make substructure repairs within the next 10 years.	No

Facility	Structural Problem	Proposed Action	Funding Available
Pier 94-96 Seawall	The rip rap at the north east seawall is undermined.	Engineering will design and Port Maintenance will execute repair work in the future.	No
Pier 96 Seawall	Backfill behind seawall has incurred some settlement in specific locations.	COWI Marine North America designed repair last year for sheetpile seawall. Port Maintenance will schedule this repair work, once funds are available.	No

Exhibit No. 3: Red-Tagged Facilities¹

Facility	Structural Problem	Proposed Action	Funding Available
Portions of Wharf J8 including Alber's Building	Damaged and deteriorated wood piles.	Port Maintenance currently repairing J8.	Yes
Pier 43.5 Arch – southern portion of the substructure leading to the arch.	Damaged and deteriorated wood piles.	Port Maintenance has fenced off red-tagged areas.	No
Pier 33 North Apron	Open depressed track area, and north and south end wales pose tripping hazards. Piles of wales are completely rotted out. Planks covering wales are either missing or deteriorated.	Port to repair when funds will be available	No
Pier 31 Superstructure	Roof needs repair and superstructure elements have incurred dry rot.	Construction contract will go out to bid in Summer, 2015. Port Maintenance will perform North Apron repair.	Yes
Pier 19 North Apron	All of the wood piles have incurred dry rot.	BCDC requires that this apron be rebuilt as part of the Pier 27 Cruise Terminal project. Work for this site needs to be completed within 5 years of the completion of Phase 2 of the Cruise Terminal project. Port Engineering is completing design drawings.	Yes
Promenade Tidal Steps between Folsom and Harrison	Concrete steps have incurred corrosion damage.	Port Maintenance has installed fence restricting access to red-tagged area. No future repair planned.	No

¹ Refer to facility Rapid Structural Assessment Reports (RSAs) for additional information regarding facility damage.

Facility	Structural Problem	Proposed Action	Funding Available
Pier 26 North Apron	Concrete apron with depressed railroad tracks.	Port to repair apron when funds will be available.	No
Pier 38 Superstructure	Superstructure structural systems are in good condition but the bulkhead is red-tagged due to health & safety issues associated with unpermitted construction and code violations.	Port selected TMG to repair and develop sections of Pier 38.	N/A
Pier 38 North and South Aprons	All of the piles have incurred dry rot.	Repair to be determined in the future.	No
Pier 48 Section of South Apron	All of the wood piles have incurred dry rot.	Port is negotiating with prospective tenant for entire Pier 48.	No
Pier 50 Shed B South Apron	All of the piles have incurred dry rot.	Tenant will be making substructure repairs in the future.	No
Pier 52	Substructure decking, framing, and piles have incurred dry rot.	This site is a historic railroad pier. It needs substructure repair.	No
Pier 54	Structural concrete slab and beams have incurred corrosion damage.	No plans to make substructure repairs within the next 10 years.	No
Pier 60	Substructure decking, framing, and piles have incurred dry rot.	This site will need to be demolished.	No
SWL 345 – 671 Illinois Street	Superstructure has fire damage and noticeable floor deflection.	Port to further investigate and repair when funds will be available. Facility also known as Kneass Boatworks Building identified by SF Planning as a historic resource.	No
P68 – Building #104, and other facilities	Superstructure framing has incurred corrosion damage requiring repair.	Development of Pier 68 by public / private joint venture is ongoing.	Yes

Facility	Structural Problem	Proposed Action	Funding Available
Pier 70 – Building #113, 114, and other facilities	Superstructure framing has incurred corrosion damage requiring repair.	Development of Pier 70 by public / private joint venture is ongoing.	Yes
Pier 84	Dilapidated pier.	This site will need to be demolished.	No
Pier 88	Dilapidated pier.	This site will need to be demolished.	No
Pier 90 Wharf Section	Substructure decking, framing, and piles have incurred dry rot.	This site will either be demolished or repaired depending on cost and available funding.	No
Pier 90 – Grain silos and multiple facilities	Superstructure framing has incurred corrosion damage requiring repair.	No plans to make superstructure repairs within the next 10 years. Older portion of grain silo facility determined to be historic.	No
Pier 92 Apron	All of the wood piles have incurred dry rot.	Port Engineering has completed repair drawings. Project is on hold pending approval of Army Corp permit.	Yes
Mooring Pier near Pier 96	All the piles have incurred dry rot. Eastern offshore end of Pier 96 Mooring Pier collapsed due to the piles incurring dry rot. It is unsafe to perform the rest of the repairs under the pier.	This site will need to be demolished.	No

Attachment 1 - Structural Rating-Page 1 of 5 Over All

LEGEND - STRUCTURAL RATING

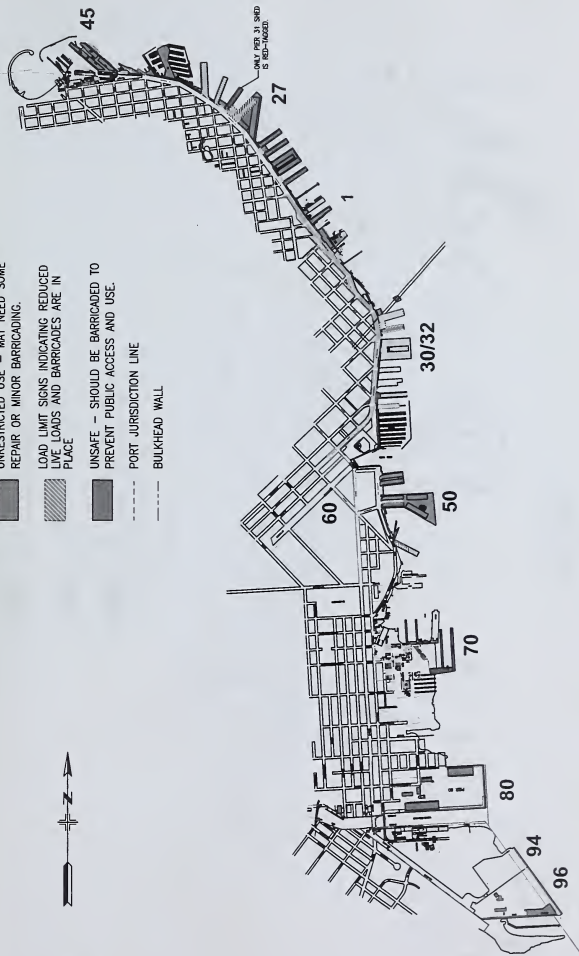
UNRESTRICTED USE - MAY NEED SOME
REPAIR OR MINOR BARRICADING.

LOAD LIMIT SIGNS INDICATING REDUCED
LIVE LOADS AND BARRICADES ARE IN
PLACE

UNSAFE - SHOULD BE BARRICADED TO
PREVENT PUBLIC ACCESS AND USE.

--- PORT JURISDICTION LINE

--- BULKHEAD WALL



Attachment 1 - Structural Rating-Page 1 of 5 Over All

LEGEND - STRUCTURAL RATING

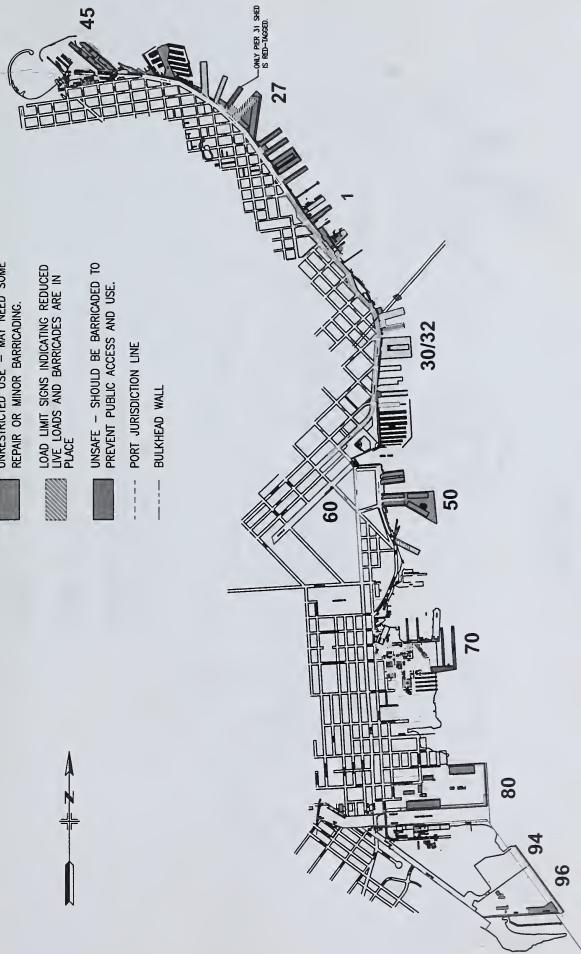
UNRESTRICTED USE - MAY NEED SOME
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PORT JURISDICTION LINE






BULKHEAD WALL

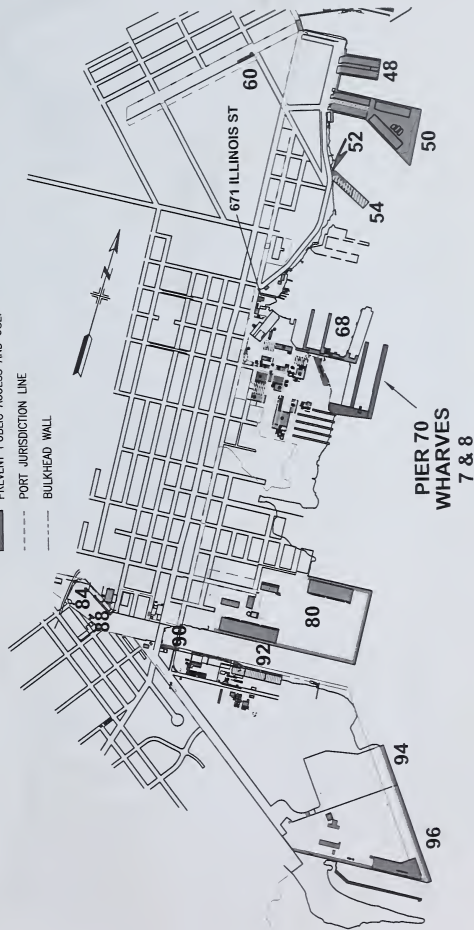


Attachment 1 - Structural Rating-Page 2 of 5

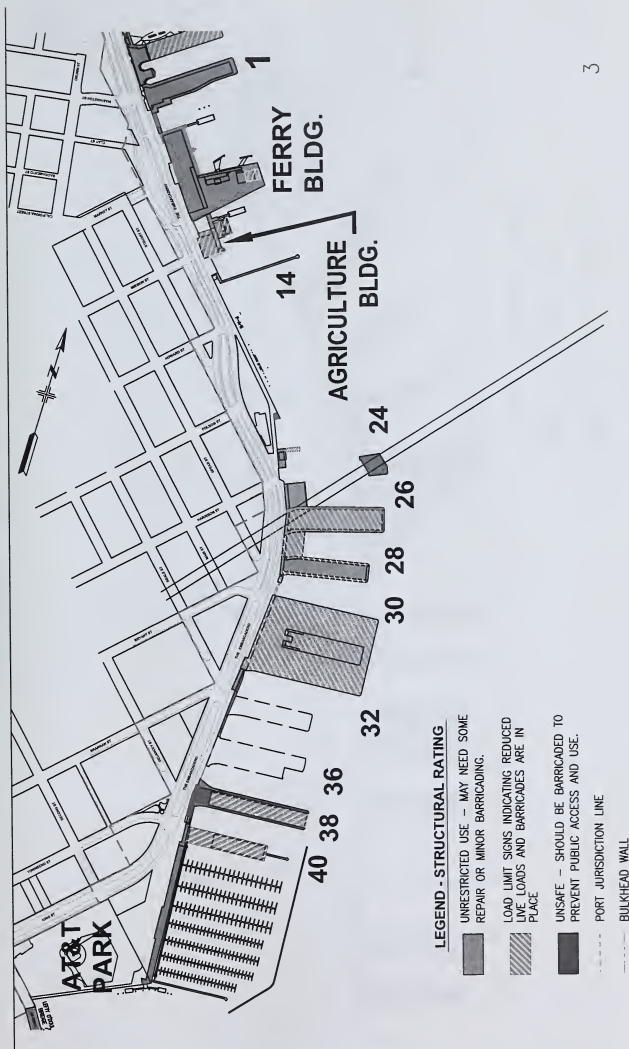
Pier 96 to Pier 48

LEGEND - STRUCTURAL RATING

-  UNRESTRICTED USE - MAY NEED SOME REPAIR OR MINOR BARRICADING.
-  LOAD LIMIT SIGNS INDICATING REDUCED LIVE LOADS AND BARRICADES ARE IN PLACE
-  UNSAFE - SHOULD BE BARRICADED TO PREVENT PUBLIC ACCESS AND USE.
-  PORT JURISDICTION LINE
-  BULKHEAD WALL

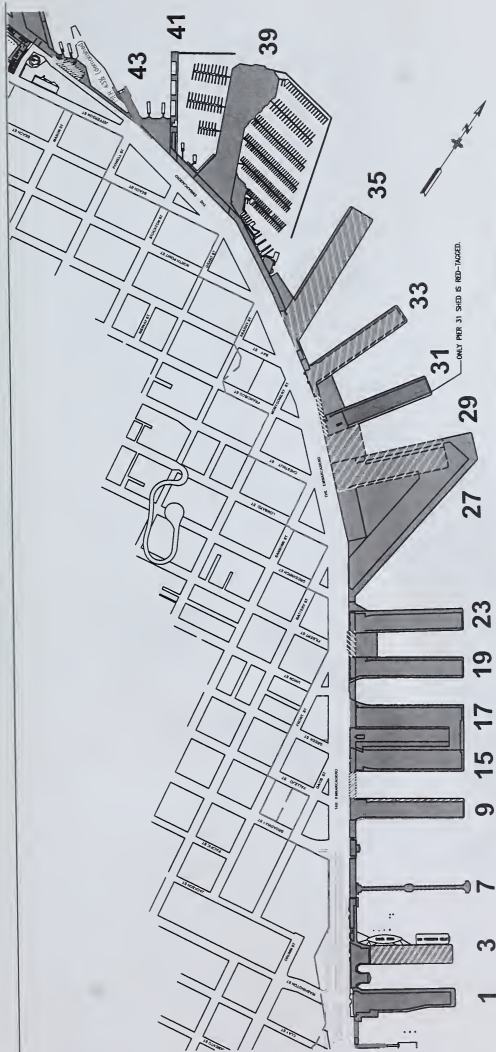


Attachment 1 - Structural Rating-Page 3 of 5 AT & T Park to Pier 1

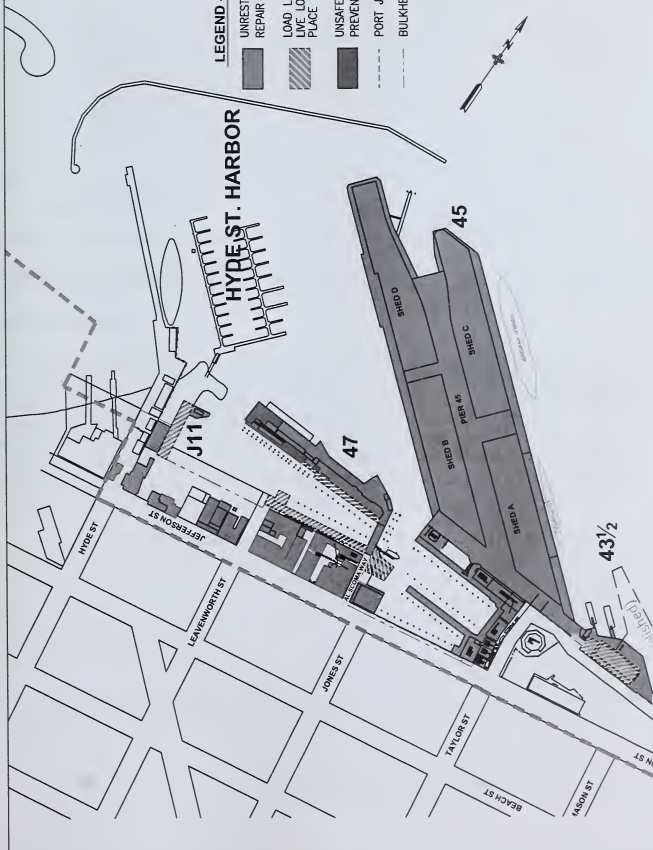


Attachment 1 - Structural Rating-Page 4 of 5

Pier 1 to Pier 43



Attachment 1 - Structural Rating-Page 5 of 5 Pier 43 to Wharf J11

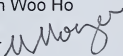




MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Fiscal Year (FY) 2015-16 – 2019-20 Five Year Financial Plan

DIRECTOR'S RECOMMENDATION: Informational Item

Executive Summary

Under Charter Section 9.119, the City and County of San Francisco ("the City") is required to prepare a five-year financial forecast in every odd fiscal year that projects expenditures and revenues, proposes actions to balance the budget during each year of the plan, and discusses strategic goals and corresponding resources for City departments. The purpose of this item is to give an overview of the City's Five Year Financial Plan for Fiscal Years (FY) 2015-16 through 2019-20 ("City's Financial Plan") and provide an update on the Port's Five Year Financial Plan for FY 2015-16 – 2019-20 ("Financial Plan") to allow for Port Commission consideration and feedback.

Overall the Port's financial outlook is strong, with surplus revenues projected for each year of the Financial Plan while maintaining a 15% Operating Reserve and meeting the Port's Capital Policy requirements. The strong outlook is due to revenue growth, controlled expenses, and plans to expand the Port's revenue base by leasing vacant facilities and completing capital repairs that will prepare facilities for leasing. However, it is important to recognize that the forecast assumes continuation of a strong economy, which has already benefited from a longer than average upcycle. Should an economic slowdown occur or leasing efforts fall short of the assumptions in the Financial Plan, the Port may face deficits that require tradeoffs between operating and capital needs. Other factors that may challenge the positive financial outlook are (1) rent loss from key

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development projects, (2) growing labor costs from wage increases and increases in health benefits and retirement costs, and (3) increasing the staff count.

Strategic Objective

The Port uses the Financial Plan to identify strategies to balance the budget and to ensure that the Port is allocating resources to the following strategic initiatives:

Plan and Implement a Stable Financial Future for the City's Port – As detailed in the updated Capital Plan (see Item 13B) the Port faces \$1.1 billion of unmet capital need over the next 10 years. This represents backlog and renewal repairs for which there is no identified funding source. The growing capital backlog is preventing the Port from keeping its assets in a state of good repair. The problem must be resolved so that Port assets continue to promote economic activity and enhance the City rather than become a drain on the General Fund. The Port is beginning to more aggressively tackle this problem by dedicating 25% of operating revenue, instead of 20%, to capital commencing in FY 2017-18. The Port will need to hold down operating expenses and seek efficiencies while expanding the Port's revenue stream to dedicate more resources to capital.

Redevelop and Rehabilitate Aging Waterfront Piers, Wharfs and Seawall Lots – Many of the historic finger piers are dilapidated. Rehabilitation is difficult to finance because the substructures often need significant investment and the regulatory framework requires a set of public benefits and public trust consistent uses. While beneficial to the public, these requirements are expensive and undercut the ability of projects to be financially viable. The Port has sought new public subsidies (such as Infrastructure Financing Districts) and is advancing a strategy of capturing value from the Seawall lots for development of the piers. Developments are planned for Piers 38, 48, 70 and Seawall Lot 337, which will address capital backlog, increase the value of Port lands, and activate the waterfront.

Lead a City Effort to Rebuild the Seawall and Adapt the Port Waterfront and its Seawall and Sea Level Rise – Between 1900 and 2000 the level of San Francisco Bay rose by seven inches. Scientific forecasts predict that water levels could rise another 16 inches or more by 2050. The aging seawall serves a critical role in protecting the integrity of the City's infrastructure and economy. The Port will work with City partners to define options to address the deterioration of the seawall, seismic vulnerabilities, and to prepare for the rising tide. The rising tide will require a public reimagining of the waterfront for 2100 and beyond and is the most significant issue that generations of Port staff and Port Commissions will face.

Preserve and Promote Industrial Maritime – The Port is refining its strategy to pursue maritime opportunities Port-wide, such as car import/export at Pier 80, iron ore export at Pier 96, and continued and expanded ship repair at Pier 70. Piers 27, 35, 45, 50, 70, 80, 92-96 and the Backlands are priority areas to preserve and expand maritime operations and other industrial activities. The Piers 90-96 maritime terminal in the Southern Waterfront offers the largest assemblage of industrial maritime opportunities

on Port property. This area is unique in San Francisco as it has the operational capacity and transportation access to support maritime public trust uses and must be managed to recognize and optimize opportunities for maritime shipping and commerce as well as meet the City's light and heavy industrial needs.¹

Preserve Lands for Maritime Commerce, Industrial Uses, and Class B Office

Space – The Port provides a critical resource for industrial uses, warehouses, affordable rental space for small businesses, and non-profits. This role should be maintained, with additional emphasis placed on generating and supporting blue collar jobs as well as attracting types of cargo shipments such as aggregate and asphalt to meet the demands of the City. Notably, no other segment of the City meets these needs for waterside services and there is limited industrial land, also known as Production, Distribution and Repair (PDR) land, elsewhere in the City.

Citywide Five Year Financial Plan Overview

The City's Financial Plan is required under the City Charter to present forecasted expenditures and revenues during the five-year period, propose actions to balance revenues and expenditures during each year of the plan, and discuss strategic goals and corresponding resources for City departments.

On December 9, 2014, Mayor Lee introduced his Five Year Financial Plan for Fiscal Years 2015-16 through 2019-20 ("City's Financial Plan") to the Board of Supervisors.² The City's Financial Plan shows that the cost of City services are projected to grow by \$984.7 million, outpacing the projected \$566.9 million increase in General Fund sources by \$417.9 million. Employee and Citywide operating costs are the primary drivers for expenditure growth, contributing 35% and 41% of total expenditure growth, respectively.

Despite the need for corrective action, the City is in a much better fiscal position than it was in 2011, when Mayor Lee took office. The City's deficit for FY 2011-12 was projected at \$382 million and the unemployment rate was 9.4%. In contrast, the current FY 2015-16 and 2016-17 budget deficits are each below \$100 million and unemployment has fallen to 4.4%. According to the City's Financial Plan, San Francisco's employment reached its all-time high in 2013, surpassing the previous peak in 2000. Between 2010 and 2013, San Francisco added more than 70,000 jobs to the local economy. The City's Financial Plan makes the optimistic assumption that the current economic condition will continue; the forecast will worsen, should a slowdown occur.

The Mayor is striving to use the positive economic times to responsibly manage the City's growth so that expenditures align with growing revenues. His fiscal strategies to

¹ See, the City's "Central Waterfront Area Plan," December, 2008 from the Eastern Neighborhoods Plans.

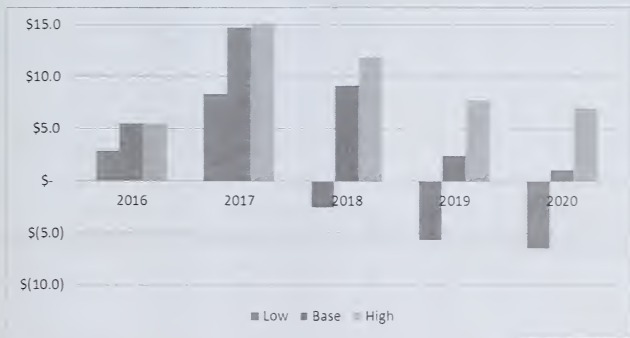
² City and County of San Francisco, California, "Proposed Five Year Financial Plan for Fiscal Year 2015-16 through 2019-20," <http://sfcontroller.org/modules/showdocument.aspx?documentid=6056>, December 9, 2014.

grow the city's budget sustainability are to 1) manage capital spending and restructure debt, 2) manage employee wage and benefit costs, 3) limit non-personnel inflation, 4) increase Department revenues and 5) increase taxes, fees and other revenue.

Port Financial Plan

The Port Financial Plan for Fiscal Years 2015-16 through 2019-20 ("Financial Plan") makes three projections for the five year period: Base, Low and High case scenarios. As detailed below, the *Base Case Scenario* represents what is "most likely" based on current economic trends, planned real estate leasing activities and other outcomes from previous Port Commission decisions. In contrast, the *Low Case Scenario* assumes slower implementation of real estate initiatives that might occur from an economic slowdown, leading to budget deficits in years three through five of the Financial Plan. Finally, the *High Case Scenario* assumes factors from the Base Case Scenario, plus additional revenue resulting from potential Port Commission decisions regarding revenue-generating capital projects and development projects.

Figure 1: Revenue Surplus/Deficit in Three Scenarios (\$ Millions) – The Base Case Scenario presents the "Most Likely" outlook, based upon current economic trends and planned real estate leasing activities. In contrast, the Low and High Case scenarios consider the Port's financial outlook, given negative or positive influences on the Port's revenues.



Base Case Scenario

The Base Case Scenario is consistent with the City's Financial Plan assumptions about the ongoing strength of the economy and growth rates for personnel and non-personnel expenditures. It also reflects Port staff's current knowledge regarding 1) the timing and value of upcoming leasing and parking opportunities for Port facilities, and 2) the revenues from development projects at Pier 38 and Pier 70. As a result of these factors,

revenue surpluses are forecasted in each year of the plan. However, the surplus declines in years three through five of the plan due to (1) a growing call on Port revenue to capital investment, (2) rent loss from commencement of key development projects, and (3) growing operating expenses.³ The details of sources and uses of funds that contribute to these trends are detailed below.

Table 1: Base Case Scenario (\$ Thousands) – The Port's financial outlook is strong and meets the Capital Policy requirement of dedicated operating revenues of 25% to capital beginning in FY 2017-18.

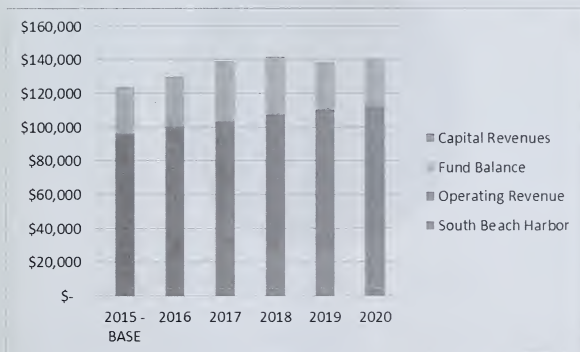
Fiscal Year Sources	2015 (Base)	2016 (+1)	2017 (+2)	2018 (+3)	2019 (+4)	2020 (+5)	Change from Base	% Change
Estimated Fund Balance	26,847	28,907	35,320	33,860	27,904	28,393	1,546	6%
Operating Revenues	91,621	95,425	98,752	102,939	105,480	107,490	15,868	17%
Capital Revenues	550	550	550	550	550	-	(550)	-100%
South Beach Harbor	4,876	4,972	4,386	4,516	4,650	4,788	(88)	-2%
Sources, total	\$ 123,895	\$ 129,854	\$ 139,008	\$ 141,865	\$ 138,584	\$ 140,671	\$ 16,776	14%
Uses								
Operating Expenses	83,601	84,936	88,195	90,243	92,614	95,045	11,444	14%
Capital Policy Budget	18,324	22,972	19,750	25,735	26,370	26,872	8,548	47%
1. Capital investments	12,800	12,800	19,750	22,202	15,926	15,538	2,738	21%
2. Designation to Capital	5,524	10,172	0	3,533	10,444	11,334	5,810	105%
Percent of operating revenues	20%	24%	20%	25%	25%	25%	5%	25%
South Beach Harbor & Marina	4,876	4,972	4,386	4,516	4,650	4,788	(88)	-2%
Operating Reserves	11,308	11,482	11,937	12,208	12,528	12,855	1,546	14%
Percent of operating expenses	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	0.0%	0%
Uses, total	\$ 118,110	\$ 124,362	\$ 124,267	\$ 132,702	\$ 136,162	\$ 139,561	\$ 21,451	18%
Balance	\$ 5,785	\$ 5,491	\$ 14,740	\$ 9,163	\$ 2,422	\$ 1,111	\$ (4,675)	-81%
KEY ASSUMPTIONS:								
Revenue Assumptions	\$ -	\$ 618	\$ 1,493	\$ 2,987	\$ 3,572	\$ 3,642		
Piers 19 & 23 - Shed Leases	-	495	1,009	1,623	1,655	1,689		
Pier 23 - Office Lease	-	124	253	258	263	268		
Pier 29 - Shed Lease	-	-	-	538	1,097	1,119		
Pier 31 - Shed Lease	-	-	181	465	755	771		
Pier 38 - Bulkhead Development	-	-	50	75	75	75		
Pier 70 - Forest City & Orton	-	-	-	(272)	(580)	(592)		
SWL 337 - "The Yard"	-	-	-	300	306	312		

³ Notably, the Base Case does not reflect a \$15.3 million one-time pre-payment of rent from the Pacific Gas and Electric Company in FY 2014-15. The Port Commission will need to determine if those funds should be utilized to create a new revenue stabilization fund or to fund additional capital projects, as proposed in Item 13C.

Funding Sources

The Port's funding sources include fund balance⁴, operating revenue, capital revenues and South Beach Harbor revenues. All Funding Sources are projected to increase \$16.5 million (13%), starting with a total of \$123.0 million in FY 2014-15 and ending with \$139.5 million in FY 2019-20,

Figure 2: Funding Sources (\$ Thousands) – Operating revenues plus South Beach Harbor revenues will exceed \$100 million next year, FY 2015-16.



The majority of this growth in funding sources results from *operating revenues*, which are projected to increase by \$15.9 million (17%), from \$91.6 million in FY 2014-15 to \$107.5 million in FY 2019-20, with an average annual growth of \$3.2 million (3%) per year. The Port goal to reach \$100 million in operating revenue is projected to be achieved in FY 2017-18, or FY 2015-16 if South Beach Harbor revenues are included. This projection is based on current economic trends, annual rent adjustments, and planned leasing opportunities. The following operational sources support this change:

⁴ Fund Balance is comprised of expenditure savings and surplus revenues from prior years that is available to budget and spend

Figure 3: Summary of Changes to Operating Revenue (\$ Thousands) –
Commercial/Industrial Rents, Parking and Cruise represent 85% of the \$15.9 million overall growth in operating revenues over the five year projection period.



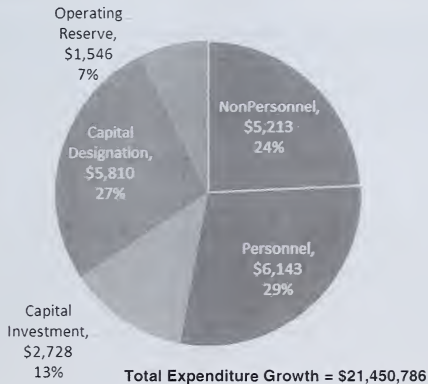
1. **Commercial/Industrial Rent** – The Port’s commercial/industrial rents are projected to increase by \$8.6 million (18%), from \$47.2 million in the first year to \$55.8 million in the fifth year, FY 2019-20, with an average annual growth of \$1.7 million (4%) per year. This change represents 54% of operating revenue growth and is based on the current rent roll and FY 2013-14 percentage rent collections, with an annual inflation of 2%. Additionally, the increase in commercial/industrial rent assumes that the Port will benefit from the following Real Estate and Planning initiatives.
 - Piers 19, 23 and 29 – These former 34th America’s Cup (AC34) venues are all currently vacant and available for leasing as office and warehouse space. The Pier 19 shed and the Pier 23 office are on track to be leased out by midyear FY 2015-16. The Pier 23 and 29 sheds are still being evaluated for their use and may not generate revenue until FY 2017-18. The Financial Plan assumes that the office space will be leased for \$2.00 per square foot, the Pier 19 and 29 shed space for \$1.25 per square foot and the Pier 23 shed for \$0.75 per square foot. Together, these facilities are projected to generate an additional \$3.1 million in annual revenues by the end of the five year period
 - Pier 31 – The renovation of the historic Pier 31 is planned for completion by July 2016, allowing for assumed revenue generation that same fiscal year, starting at approximately \$0.2 million and then increasing to \$0.8 million per year by FY 2019-20.

- Pier 38 – The Port is preparing for the rehabilitation of the Pier 38 bulkhead. Current negotiations with TMG Pier 38 Partners, LLC would generate gross \$0.3 million in rents, but net an annual profit of \$75,000 per year after applying rent credits and setting aside an annual \$75,000 reserve for potential facility improvements.
 - Pier 70 – Moving forward with the Orton Development Inc. and Forest City development projects will impact leases with current tenants located at Pier 70, beginning as early as FY 2017-18. While Port staff is working diligently to relocate tenants if possible, the forecast assumes that Yellow Cab Cooperative, Inc. and Paul's Stores, Inc. leases may need to be terminated due to lack of comparable Port facilities that can meet the tenants' needs. The annual impact of losing those leases is approximately \$0.6 million.
 - Seawall Lot 337 – The Port Commission recently approved a Seawall Lot 337 Associates LLC pop-up retail space called "The Yard" at Seawall 337. The project is expected to generate \$150,000 in new parking revenues and \$150,000 of shared sales receipts, beginning in FY 2017-18.
2. *Parking Revenue* – Parking revenues are projected to increase by \$2.1 million (11%), from \$19.6 million in the first year to \$21.7 million in FY 2019-20. This change represents 13% of operating revenue growth, assuming current trends, an existing supply of parking meters and an annual inflation of 2%. The forecast no longer assumes the expansion of meters along Terry Francois Boulevard and Illinois Street, due to a citywide moratorium on new meter installation. This revenue projection also assumes Piers 30-32, 19½ and 29½, the former AC34 venues, will continue to be used for interim parking.
 3. *Cruise Revenues* – Cruise revenues are projected to increase by \$2.7 million (43%), from \$6.2 million in the first year to \$8.8 million in FY 2019-20. This change represents 17% of operating revenue growth. Of the change, \$1.0 million is due to increased passenger volume, to 293,150, combined with the full implementation of a \$6 Passenger Facility Charge increase as of January 1, 2015. Additionally, full operations of special events and parking at Pier 27 are projected to increase revenues by \$1.5 million by the end of the five year period.
 4. *Other Port Revenues* – Other Port revenues represent \$2.4 million (15%) of operating revenue growth. These sources include South Beach Harbor, other Maritime (e.g. Cargo, Ship Repair, Fishing, Harbor Services, etc.), transaction payments from developers and other miscellaneous revenues. For revenue growth that is not based upon existing leases or agreements, the Financial Plan assumes annual inflation of 2% in the first year, increasing to 3% ongoing.

Expenditures

The Port's use of funds includes operating expenses, the capital budget and designation to capital, South Beach Harbor expenditures and the operating reserve. These expenditures and reserves total \$118.0 million in FY 2014-15 and are projected to increase by \$21.5 million (18%), to \$139.4 million in FY 2019-2020.

Table 2: Summary of Changes in Use of Funds (\$ Thousands) – Personnel and Non-Personnel Costs drive 53% of cost growth in the Financial Plan. Increasing the designation of operating revenues to capital ensures that the Port will meet its 25% capital policy requirement starting in FY 2017-18.



Operating expenses are projected to increase by \$11.4 million (14%), from \$83.6 million in FY 2014-15 to \$95.1 million in FY 2019-20, with an average growth of \$2.3 million (3%) per year. The key drivers of this change include:

1. *Salary/Fringe Inflation* – Salary and mandatory benefit expenses are projected to increase \$6.1 million (17%), assuming negotiated labor rates through FY 2016-17 and inflationary increases of 2.75% Consumer Price Index (CPI) thereafter. The projection conservatively assumes current staffing levels across the five year period; any growth in staff would need to be weighed against other operating and capital priorities.
2. *Non-Personnel Inflation* – Non-Personnel expenditures, including materials and supplies, professional services, annual projects and workorders to other City

departments including Fire Boat services, are projected to increase by \$5.2 million (10%) primarily due to an assumed 2.75% annual percentage growth rate.

The *capital budget and designation of surplus revenues to capital* are projected to increase by \$8.6 million (47%), from \$18.3 million in the Base Year to \$26.8 million in FY 2019-20. Notably, in FY 2017-18 the Port's Capital Policy will increase the required capital investments from 20% to 25% of operating revenues. This adjustment increases the tradeoff pressures between the operating and capital budgets, forcing further prioritization of capital spending.

1. *Capital Investments* – The capital budget is projected to increase by \$2.7 million (21%), from \$12.8 million in FY 2014-15 to \$15.5 million in FY 2019-20, averaging \$17.2 million annually.
2. *Designation of Surplus Revenues to Capital* –The designation to capital is projected to increase by \$5.8 million (105%), from \$5.5 million in FY 2014-15 to \$11.3 million in FY 2019-20, averaging \$7.1 million annually. Designating surplus operating revenues to capital is critical to achieving higher capital spending by closing the gap between actual funds available for capital appropriations and the requirement of the Capital Policy.

Low Case Scenario

A Low Case Scenario reflects the possibility of an economic slowdown by reducing Percentage Rent to FY 2010-11 levels,⁵ delaying leasing activities for Piers 19, 23 and 29 and assuming less revenue from "The Yard". This scenario also assumes lower Cruise revenues due to fewer cruise calls and passengers, offset by additional events at Pier 27 and parking at Piers 27 and 35.⁶ As a result of these changes, average annual operating revenues decline from the Base Case by \$4.0 million (4%), resulting in deficits in years three through five of the forecast period. In the event of such deficits during slow economic times, Port staff would need to identify ways to control operating expenses or find new revenues that are not currently considered for the Financial Plan.

The Port is impacted by the strength of the economy and needs to consider the impact of such Low Case Scenarios. When tourism and maritime industries thrive, the Port's tenants (many of whom are small businesses) benefit from improved sales that are then passed on to the Port in the form of percentage rents. Additionally, a strong economy translates into strong parking revenue, which supports 22% of the Port's operating revenues.

⁵ FY 2010-11 Percentage Rent was \$15.5 million. The forecast assumes that the economic slowdown would begin to occur midway through FY 2015-16, with full impact beginning in 2016-17.

⁶ While the volume of special events and parking days may increase at the James R. Herman Cruise Terminal if cruise calls decline, special events and parking generate less revenue.

Table 3: Low Case Scenario (\$ Thousands) – In the Low Case, the Port would face a deficit in years three through five of the forecast. In addition to a loss in revenues resulting from an economic slowdown, the deficits are generated by a growing call on Port revenue to capital investment as the Capital Policy requirement increases to 25% in FY 2017-18.

Fiscal Year	2015 (Base)	2016 (+1)	2017 (+2)	2018 (+3)	2019 (+4)	2020 (+5)	Change from Base	% Change
Sources								
Estimated Fund Balance	26,847	28,907	32,706	25,830	23,065	24,092	(2,755)	-10%
Operating Revenues	91,621	92,811	94,080	98,100	101,179	103,144	11,522	13%
Capital Revenues	550	550	550	550	550	-	(550)	-100%
South Beach Harbor	4,876	4,972	4,386	4,516	4,650	4,788	(88)	-2%
Sources, total	\$ 123,895	\$ 127,240	\$ 131,722	\$ 128,995	\$ 129,444	\$ 132,024	\$ 8,129	7%
Uses								
Operating Expenses	83,601	84,936	88,195	90,243	92,614	95,045	11,444	14%
Capital Policy Budget	18,324	22,972	18,816	24,525	25,295	25,786	7,462	41%
1. Capital investments	12,800	12,800	18,816	14,171	11,087	11,237	(1,563)	-12%
2. Designation to Capital	5,524	10,172	0	10,354	14,207	14,549	9,024	163%
Percent of operating revenues	20%	25%	20%	25%	25%	25%	5%	25%
South Beach Harbor & Marina	4,876	4,972	4,386	4,516	4,650	4,788	(88)	-2%
Operating Reserves	11,308	11,482	11,937	12,208	12,528	12,855	1,546	14%
Percent of operating expenses	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	0.0%	0%
Uses, total	\$ 118,110	\$ 124,362	\$ 123,333	\$ 131,493	\$ 135,087	\$ 138,474	\$ 20,364	17%
Balance	\$ 5,785	\$ 2,878	\$ 8,389	\$ (2,497)	\$ (5,643)	\$ (6,450)	\$ (12,235)	-211%
KEY ASSUMPTIONS:								
Revenue Assumptions	\$ -	\$ (2,642)	\$ (3,650)	\$ (2,313)	\$ (1,180)	\$ (1,146)		
Piers 19 & 23 - Shed Leases	-	-	495	1,009	1,623	1,655		
Pier 23 - Office Lease	-	-	124	253	258	263		
Piers 27 & 35 - Cruise	-	(647)	(470)	(461)	(451)	(442)		
Pier 29 - Shed Lease	-	-	-	538	1,097	1,119		
Pier 31 - Shed Lease	-	-	181	465	755	771		
Pier 38 - Bulkhead Development	-	-	50	75	75	75		
Pier 70 - Forest City & Orton	-	-	-	(272)	(580)	(592)		
SWL 337 - "The Yard"	-	-	-	150	153	156		
FY 2010-11 Percentage Rents	-	(1,995)	(4,030)	(4,070)	(4,111)	(4,152)		

High Case Scenario

The High Case Scenario reflects the Base Case, with the inclusion of higher Cruise volume, new revenues from proposed capital projects and revenue impacts from development projects that are currently in the planning stages. As a result of these changes, average annual operating revenues increase from the Base Case by \$2.1 million (2%). This scenario demonstrates great possibilities for the Port to fully meet the Capital Policy requirements and generate an average of \$9.5 million revenue surpluses in each year of the Financial Plan that will directly support capital investment.

Table 4: High Case Scenario (\$ Thousands) – This scenario reflects the Base Case, plus additional revenues resulting from higher Cruise volume, new revenue-generating capital investments and the net impact of development initiatives.

Fiscal Year	2015	2016	2017	2018	2019	2020	Change	%
Sources	(Base)	(+1)	(+2)	(+3)	(+4)	(+5)	from Base	Change
Estimated Fund Balance	26,847	48,390	35,320	34,352	30,776	31,602	4,754	18%
Operating Revenues	91,621	95,425	99,572	105,811	108,688	110,988	19,367	21%
Capital Revenues	550	550	550	550	550	-	(550)	-100%
South Beach Harbor	4,876	4,972	4,386	4,516	4,650	4,788	(88)	-2%
Sources, total	\$ 123,895	\$ 149,337	\$ 139,827	\$ 145,229	\$ 144,665	\$ 147,378	\$ 23,483	19%
Uses								
Operating Expenses	83,601	84,936	88,195	90,243	92,614	95,045	11,444	14%
Capital Policy Budget	18,324	42,455	19,914	26,453	27,172	27,747	9,423	51%
1. Capital investments	12,800	32,283	19,914	22,693	18,799	18,747	5,947	46%
2. Designation to Capital	5,524	10,172	0	3,760	8,373	9,000	3,476	63%
Percent of operating revenues	20%	44%	20%	25%	25%	25%	5%	25%
South Beach Harbor & Marina	4,876	4,972	4,386	4,516	4,650	4,788	(88)	-2%
Operating Reserves	11,308	11,482	11,937	12,208	12,528	12,855	1,546	14%
Percent of operating expenses	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	0.0%	0%
Uses, total	\$ 118,110	\$ 143,845	\$ 124,431	\$ 133,421	\$ 136,964	\$ 140,435	\$ 22,325	19%
Balance	\$ 5,785	\$ 5,491	\$ 15,396	\$ 11,809	\$ 7,701	\$ 6,943	\$ 1,158	20%
KEY ASSUMPTIONS:								
Revenue Assumptions	\$ -	\$ 1,023	\$ 1,820	\$ 3,310	\$ 3,901	\$ 3,967		
Piers 19 & 23 - Shed Leases	-	495	1,009	1,623	1,655	1,689		
Pier 23 - Office Lease	-	124	253	258	263	268		
Piers 27 & 35 - Cruise	-	405	328	324	319	315		
Pier 29 - Shed Lease	-	-	-	538	1,097	1,119		
Pier 31 - Shed Lease	-	-	181	465	765	780		
Pier 38 - Bulkhead Development	-	-	50	75	75	75		
Pier 70 - Forest City & Orton	-	-	-	(272)	(580)	(592)		
SWL 337 - "The Yard"	-	-	-	300	306	312		
Proposed Capital Projects	\$ -	\$ -	\$ 809	\$ 1,569	\$ 2,382	\$ 2,454		
Pier 23 - Roof Repair	-	-	193	301	402	414		
Backlands - Lay Down Space	-	-	616	1,269	1,980	2,039		
Development Projects	-	-	-	1,296	858	1,100		
Pier 31 1/2 - National Park Service	-	-	-	1,896	1,953	2,011		
SWL 322-1 - MOH Housing	-	-	-	-	(795)	(811)		
SWL 337/Pier 48 - Mission Rock	-	-	-	(600)	(300)	(100)		

Proposed Capital Projects

As detailed in Item 12C, Port staff recommends funding two revenue generating capital projects that would impact the financial forecast by approximately \$7.2 million over the five year window. In addition to balancing the budget for each fiscal year, the remaining surplus would be designated for additional capital investment.

1. *Pier 23 Roof Repair* – After a one-time capital investment of \$2.8 million, this project would generate an additional \$0.4 million annually. Pier 23 was last roofed in 1971 and has deteriorated to the point where repairs are no longer cost effective. Ongoing leaks are contributing to dry rot of the wooden structural components of the building, which leads to the deterioration of the structural integrity of the facility that, in time, will require major structural repairs at much higher costs. The facility could be leased out in its current condition at approximately \$0.75 per square foot, but would need to be repaired in the near future. Such repair could result in having to vacate pier areas. Replacing the roof before leasing will protect the facility from further deterioration, ensure continuous usage for the next decades and enable Port Real Estate to re-lease the shed by an additional \$0.50 per square foot per month, to top parameter rates of \$1.25 per square foot per month. In addition to the financial benefit, this project protects a historic resource in the core of the Embarcadero Historic District from substructure damage that a leaking roof will cause.
2. *Backlands Project* – After a one-time capital investment of \$8.5 million to grade and partially pave the land, construct a roadway and install other infrastructure, the Backlands site will accommodate construction laydown, vehicle parking and storage types of uses. Based on conservative projections of 60% utilization, and monthly parameter rents of \$0.35 per square foot for land, the projected annual income for the facility will be \$2.0 million when fully leased. Assuming a three year lease-up period, the project is estimated to generate \$8.6 million in net income (net revenues from the project area less the cost of the capital improvements) over 10 years, with an internal rate of return of 21%. In addition to the significant financial benefit, the new lay down space and associated industrial activity will activate Port property in the Southern Waterfront.

Development Projects

Other potential impacts to the Port's revenues are the major development initiatives which are underway. While these projects are not included in the Base Case of the Financial Plan because they are still under development, it is important to understand the impact that they would have on the five year forecast.

1. *Pier 31½ National Park Service Agreement* – The Port is currently negotiating terms for leasing the facilities at Pier 31½ for a possible National Park Service/Operator agreement for the landing to Alcatraz, assuming the National Park Service secures entitlements in the next 48 months. Port staff is working to have an agreement in place for FY 2017-18, which would generate approximately \$2.0 million by FY 2019-20.

2. *Seawall Lot 322-1 Mayor's Office of Housing Low Income Development* – The Port entered into a Memorandum of Understanding with the San Francisco Mayor's Office of Housing ("MOH") to allow MOH to solicit a developer to enter into a lease with the Port for the development of affordable housing at Seawall Lot 322-1. If the development occurs, the Port will lose approximately \$0.8 million in annual revenues that are currently generated from a parking lot at that site.
3. *Giants Development at Seawall Lot 337* – If the San Francisco Giants' Mission Rock project is approved, the Port will lose approximately \$0.6 million of surface parking percentage rent revenue during the construction period of the first buildings (FY 2017-18). Then, as new parcels are created and rent from each development parcel is brought online, the revenue loss will decrease. Ongoing revenues will continue to improve with inflation and increased demand.

Conclusion

The Port's Five Year Financial Plan for FY 2015-16 through 2019-20 reflects a strong financial outlook that includes surplus revenues in each year in the Base Case and High Case scenarios. Port Staff recognizes that the current Financial Plan relies heavily upon strong revenue growth that runs the risk of falling short of projections, particularly in the event of an economic slowdown. It is for that reason that the Port must continue to identify and pursue opportunities for additional revenue generation. While there are a variety of key leasing and development initiatives on the horizon, the focus also must be on projects that deepen the Port's revenue base to support both growing operational demands and the critical repair and replacement requirements of the Port's infrastructure.

Prepared by:

Meghan Wallace, Budget Manager
Finance and Administration

For:

Elaine Forbes, Deputy Director
Finance and Administration



MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request Approval of the Port's Ten-Year Capital Plan for FY 2016-2025

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

This memorandum presents the update to the Port of San Francisco's Ten-Year Capital Plan for Fiscal Year 2016-2025 (Capital Plan). The Capital Plan provides the public with reporting on the Port's capital strategy, including a comprehensive inventory of the Port's facilities, current conditions and capital needs, and available and projected capital resources over the next ten years. It is an important reference document that supports and guides capital expenditure and investment decisions by the Port Commission and staff.

Background

The Port produced the first ten-year outlook in 2006, and has updated and augmented the capital plan in each subsequent year. In 2005, the Board of Supervisors, in Administrative Code section 3.20, mandated the creation of a citywide ten-year capital plan and the Port's own plan became a part of the City's larger plan. Each year, following approval by the Port Commission, the Capital Plan is submitted to the City's Capital Planning Committee for inclusion in the City plan. The Capital Planning Committee reviews and recommends the City plan to the City Administrator who in turn submits the plan to the Mayor and the Board of Supervisors. In 2011, the City's Capital Planning Committee instituted an amendment to Section 3.20 of the Administrative Code shifting the annual requirement to every two years, in keeping with the City's biennial budget practices.

THIS PRINT COVERS CALENDAR ITEM NO. 13B

Prior Year Accomplishments

The Capital Plan represents the guiding document for the Port's capital investments, and provides an assessment of capital needs, the investment required to meet those needs, and a plan to finance them. Since the first plan in 2006, this document has provided a solid framework for the Port's investments to maintain and enhance its assets. It has guided the expenditure of nearly \$220 million in non-developer funding, which represents a level of investment not seen by the Port since the 1960s. Additionally, the plan's findings and priorities have been used to inform inclusion of Port parks in the City's General Obligation Bond program and issuance of Port revenue bonds.

While the overall need is still substantial, some of the strategies the Port has put in place are beginning to yield results. 2014 included a number of major accomplishments:

- Completion and opening of the James R. Herman Cruise Terminal;
- Completion of Cruise Terminal Park and dedication of the Lucy and Fritz Jewett Grove;
- A comprehensive review of the Waterfront Land Use Plan ("Waterfront Plan") detailing major Port accomplishments since 1997, including a review of 120 major projects representing \$1.6 billion in public and private investment; and
- After 15 years, the successful disposition of the Port's Drydock #1.

Since its inception in 2006, the Capital Plan has provided a solid framework for the Port's investment to maintain and enhance its assets. In particular, the Port has utilized the plan's findings and priorities to guide issuance of its revenue bonds as well as preparations for the 34th America's Cup.

In the past four years, the Port has seen a dramatic uptick in capital investment, with over \$160 million expended for a variety of projects that have advanced the Port's maritime commerce mission, brought people to the waterfront, and made substantial progress toward reducing the Port's capital backlog. The James R. Herman Cruise Terminal project, park projects, and the City's commitment to host the 34th America's Cup drove much of the Port's recent investment.

These experiences yielded important insights that have advised this plan:

- As demonstrated by the James R. Herman Cruise Terminal and the rebuild of Pier 29 after a fire, the City has the expertise and capacity to direct major new investment within a very short timeframe;

- Port Maintenance staff are the Port's most cost-efficient and effective means of rebuilding most pier aprons and bringing pier sheds into code compliance;
- The Port excels at designing and building public parks and managing historic rehabilitation improvement projects; and
- In order to deliver major waterfront improvements, the Port requires a comprehensive strategy to obtain entitlements and regulatory approvals, particularly for in-water construction.

Pursuant to direction from the Port Commission, this year's plan continues progress made in recent years to expand and stabilize capital funding from the Port's operating budget. Port staff also has continued to refine the capital project scoring process, with an inter-divisional focus on project readiness and financial outcomes.

While the plan is a forward looking document, it is also the Port's history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

Capital Project Investment Priorities

The projects and investments prioritized in the Capital Plan are guided by criteria the Port Commission believes respond to basic public safety and environmental needs, optimize resources that address the Port Commission's fiduciary responsibilities, and strike a balance among diverse public interests. Port staff used the following criteria to set investment priorities:

- Basic repairs and improvements to existing facilities that support continued leasing and revenue generation;
- Infrastructure improvements, including seawall, substructure, and utility repairs that respond to the shared objectives of protecting public safety, improving environmental quality, and responsible stewardship of historic resources along the waterfront;
- Improvements to retain and support San Francisco's diverse maritime and industrial tenants;
- Investments in waterfront parks and public open space that meet public trust needs and acknowledge the increasing role of Port lands in addressing City economic and quality-of-life objectives; and
- Strategic waterfront development that leverages private investment to support City policies and transform the waterfront, while reducing the Port's capital liability and enhancing land value.

Capital Need Estimates

This year's Capital Plan identifies a total need of \$1.62 billion (plus an additional \$476.3 million for conditional seismic work). The need is primarily for deferred maintenance and subsystem renewal work required on Port facilities. For purposes of this plan, "need" is defined as projects that are required to maintain Port property in a state-of-good-repair for existing use over the next ten years. In this context, need excludes seismic upgrades (which may or may not be triggered by code requirements) and capital enhancements (such as building new infrastructure or parks along the waterfront). This distinction among different project types is a part of the architecture of the Port's capital modeling software, the Facilities Renewal and Reinvestment Model (FRRM), which also is used by the City to project all General Fund departments' capital needs.

This \$1.62 billion in need is approximately \$39 million more than the need identified in the Port's prior year (FY2015-24) capital plan (excluding conditional seismic work, which was \$464 million in the prior year). Table 1 summarizes adjustments to the Port's capital need estimates. Completed projects help to lower the need, while inflation and the addition of a new tenth year add to the projected need over the next ten years. Updated project cost estimates are based on more detailed engineering designs for development projects at Piers 30-32 and Pier 70. Inflation plus the addition of a new tenth year (in this case FY2025) for renewal of building subsystems that reach the end of their useful life in year ten add to the projected need. Additionally, the prior year one (in this case FY2015) is added to the backlog for projects that were not completed.

Table 1 -- Port Capital Need Estimates

Changes From Prior Year Plan	State of Good Repair				Seismic (millions)
	Backlog (millions)	Renewal (millions)	One-Time (millions)	Total (millions)	
Prior Year (FY2015-24) Plan	\$613.4	\$544.0	\$433.1	\$1,590.5	\$464.3
Updated project cost estimates, completions	(73.8)		(15.6)	(89.4)	(11.2)
Leased facility improvements (by tenants)		(6.3)		(6.3)	
New year ten (FY2025) project costs		48.0		48.0	
Escalation (5%)	30.7	27.2	21.66	79.53	23.2
FY2016-25 Plan	\$570.3	\$612.9	\$439.2	\$1,622.3	\$476.3

As Table 1 illustrates, the total need of \$1.62 billion for state-of-good-repair projects includes an estimated \$612.9 million for capital renewal, which represents the amount needed over the next 10 years to maintain facilities in a state-of-good-repair, as projected in the FRRM database. This plan shows an existing backlog for deferred maintenance of \$570.3 million, with another \$439.2 million for other one-time

expenses.¹ Investments for seismic repairs may or may not be required during the ten-year period, as described below; as such, the cost of seismic work is not included in the total need, but is shown separately.

Capital Expenditures

The Capital Plan identifies \$853.7 million in funds that are projected to be available during the ten-year plan period. This plan differentiates expenditure of those funds into two categories: (1) capital projects that help maintain the Port's facilities in a state-of-good-repair, and (2) enhancement projects that add value to the Port property. Table 2 provides a breakdown of capital expenditures and funding sources by expenditure type.

Table 2 -- Port Capital Expenditures

Funding Source	Repair (millions)	Enhancement (millions)	Total (millions)
Port Capital Budget	\$139.5	\$16.6	\$156.1
Port Revenue Bonds & COPs	41.2	0.0	41.2
Port Tenant Improvements	147.4	0.0	147.4
General Obligation Park Bonds	5.6	55.5	61.1
Federal, State, & Local Grants	35.5	117.4	152.8
Development Projects	119.0	176.1	295.1
FY2015-24 Plan	\$487.9	\$365.8	\$853.7

Enhancement projects include anticipated development at Pier 70 and at Seawall Lot 337 and Pier 48.

As with last year's plan, this plan distinguishes between internally- and externally-generated sources of funds. Internally-generated funding sources include (1) Port capital funds, (2) Port revenue bonds, and (3) tenant obligations. Together, these sources are projected to generate \$344.7 million, of which the Port will apply \$328.1 million (or 95 percent) to state-of-good-repair projects and \$16.6 million (or 5 percent) to capital enhancement projects. Externally generated sources include (1) development projects, (2) general obligation bonds, and (3) grants. This plan projects these sources to generate \$509.1 million, of which the Port will apply \$160.1 million (or 32 percent) to state-of-good-repair projects and \$349.0 million (or 68 percent) to enhancement projects.

Overall, the plan reflects a balanced expenditure of funds, with 57 percent going toward state-of-good-repair and 43 percent toward enhancement projects. Further, most of the

¹ One-time needs are generally utilized in FRRM for non-cyclical needs, which are typically driven by changes in code requirements. The Port's capital modeling also includes a large number of the structures at Pier 70 in this category, as they are condemned and entirely in a state of deferred maintenance. For these structures, partial rehabilitation is not a viable option, and any rehabilitation will trigger substantial seismic work. Until they are rehabilitated and enter a capital maintenance cycle, the entire rehabilitation cost for these buildings are modeled as one-time costs.

Port's internally generated funding sources are directed towards state-of-good-repair projects, whereas enhancement projects are more dependent on externally generated funding sources.

Unmet Needs

While the plan projects \$853.7 million in capital investments over the next ten years, at the end of that period the Port will still face a backlog of \$1.13 billion for needed improvements, and possibly another \$465 million in conditional seismic work. The Port must continue to explore ways to address these unfunded needs, including building partnerships to attract new sources of funds. Some facilities, such as Piers 26, 28, and 54, do not appear viable for rehabilitation with present day financing tools. The Port will work with stakeholders and the public to determine the future of these facilities.

Conclusions of the Ten-Year Capital Plan

The Port's Ten-Year Capital Plan continues to evolve since its inception nine years ago. The Port has used the information that the Plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and reconnect the City with its waterfront.

Since the first plan in 2006, the Port has used this document to guide a total in investment exceeding \$220 million in non-developer funding. Still, a persistent gap remains between the Port's available resources and ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet. While the plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. The plan was integral to the Port's issuance of its revenue bonds as well as to the Port's preparations for the 34th America's Cup. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

As a road-map, the plan has enabled stronger application for federal grant funding, and stronger footing for inclusion in future City-sponsored general obligation bonds. The plan also served a vital role in supporting legislative changes to the Port's ability to develop Seawall Lot 337 and Pier 70 by securing tax increment to pay for public infrastructure investments in these proposed development project areas.

The Port's review of the Waterfront Land Use Plan highlighted that the Port is more unified with its waterfront than it ever has been, with industry, commerce and residence all existing in a harmony of contrasts. A South Beach resident might walk from her home to attend a San Francisco Giants game, and between innings, watch from her seat as one of the largest ships in the world is lifted out of the water for repair at the Port's Pier 70 shipyard. However united we are as a Port, we continue to need to grow in our connection with those away from the shore.

The controversy around height limits that so dominated discussion around the waterfront in 2014 changed the prism through which the Port must view development. With the passage of Proposition B, the community that actively is weighing in on the Port's development is no longer nearby and neighborhood in character, but rather an entire City of civic-minded voters. Moving forward, the Port must be ever mindful of the larger presence our work has in the San Francisco consciousness.

The next big capital planning challenge for the Port is to involve sister City agencies and regulatory partners in examining the Port's 100-year-old seawall to address its structural stability facing both a seismic event and future sea level rise. The long-range improvements to the City's seawall and marginal wharf will require a coordinated planning and funding strategy that will need to be reflected in future updates of the Port's Capital Plan.

Finally, the preliminary success of the Port-BCDC planning study and the Port's desire to reposition its northern waterfront piers for different uses through a public process underscore the need for strong public outreach and comprehensive planning. The Port must always take care to ensure that there is a strong local and regional public consensus regarding the future of one of the most beautiful public waterfronts in the world.

Recommendation

Port staff seeks Port Commission adoption of the proposed Ten-Year Capital Plan for FY 2016-2025.

Prepared by:

Daley Dunham, Special Projects
Executive Division

For:

Brad Benson, Special Projects Manager
Executive Division

Elaine Forbes, Deputy Director
Finance and Administration Division

Attachment: Port of San Francisco Ten-Year Capital Plan FY 2016-2025 Update

**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-05

- WHEREAS, In 2006, the Port of San Francisco completed its first Ten-Year Capital Plan, assessing the Port's capital needs through a process that included a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them; and
- WHEREAS, Port staff update the Ten-Year Capital Plan annually to reflect changes in the condition of the Port's facilities, new structure evaluations, completed work, changes to funding sources, and changes in budget and financing assumptions; and
- WHEREAS, The FY2016-25 Ten-Year Capital Plan, the ninth iteration of the plan, identifies \$1.62 billion in required repairs and \$476 million in conditional seismic upgrades over the next ten years; and
- WHEREAS, Of the \$853.7 million in proposed funding, the Port's Ten-Year Capital Plan identifies \$487.9 million for state-of-good-repair projects and \$365.8 million for capital enhancement projects and seismic upgrades over the next ten years; and
- WHEREAS, This funding, from the Port's annual budget, revenue bond proceeds, certificates of participation, Port tenants, general obligation bond proceeds, grants, and development projects, will reduce the Port's unfunded state-of-good-repair need from \$1.62 billion to \$1.13 billion by 2025 if realized; and
- WHEREAS, This funding, from the Port's annual budget, revenue bond proceeds, certificates of participation, Port tenants, general obligation bond proceeds, grants, and development projects, will reduce the Port's unfunded state-of-good-repair need from \$1.62 billion to \$1.13 billion by 2025 if realized; now, therefore, be it
- RESOLVED, That the Port Commission adopts the Port's FY 2016-25 Ten-Year Capital Plan Update; and be it further

RESOLVED, Port staff is authorized to revise the Ten-Year Capital Plan to reflect policy decisions made by the Port Commission at its meeting of February 10, 2015, the revisions shall be considered fully approved by the Commission, and the revised Ten-Year Capital Plan shall be filed with the Secretary of the Commission.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 10, 2015.

Secretary

Port of San Francisco



Ten-Year Capital Plan

FY 2016-2025 Update

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I. EXECUTIVE SUMMARY

The Capital Plan represents the guiding document for the Port's capital investments, and provides an assessment of capital needs, the investment required to meet those needs, and a plan to finance them. The FY2016-25 update of the plan reflects improvement from prior year plans in the Port's ability to address its capital needs over the next ten years. While the overall need is still substantial, some of the strategies the Port has put in place are beginning to yield results. 2014 included a number of major accomplishments:

- Completion and opening of the James R. Herman Cruise Terminal;
- Completion of Cruise Terminal Park and dedication of the Lucy and Fritz Jewett Grove;
- A comprehensive review of the Waterfront Land Use Plan ("Waterfront Plan") detailing major Port accomplishments since 1997, including a review of 120 major projects representing \$1.6 billion in public and private investment; and
- After 15 years, the successful disposition of the Port's Drydock #1.

Since its inception in 2006, the Capital Plan has provided a solid framework for the Port's investment to maintain and enhance its assets. In particular, the Port has utilized the plan's findings and priorities to guide issuance of its revenue bonds as well as preparations for the 34th America's Cup.

In the past four years, the Port has seen a dramatic uptick in capital investment, with approximately \$160 million expended for a variety of projects that have advanced the Port's maritime commerce mission, brought people to the waterfront, and made substantial progress toward reducing the Port's capital backlog. The James R. Herman Cruise Terminal project, park projects, and the City's commitment to host the 34th America's Cup drove much of the Port's recent investment.

These experiences yielded important insights that have advised this plan:

- As demonstrated by the James R. Herman Cruise Terminal and the rebuild of Pier 29 after a fire, the City has the expertise and capacity to direct major new investment within a very short timeframe;
- Port Maintenance staff are the Port's most cost-efficient and effective means of rebuilding most pier aprons and bringing pier sheds into code compliance;
- The Port excels at designing and building public parks and managing historic rehabilitation improvement projects; and
- In order to deliver major waterfront improvements, the Port requires a comprehensive strategy to obtain entitlements and regulatory approvals, particularly for in-water construction.

Pursuant to direction from the Port Commission, this year's plan continues progress made in recent years to expand and stabilize capital funding from the Port's operating budget. Port staff also has continued to refine the capital project scoring process, with an inter-divisional focus on project readiness and financial outcomes.

The strategic, ongoing challenges to the Port discussed in detail in this plan are ever present in the minds of the Port staff: seismic risk to the seawall and other Port facilities; tidal flooding and sea level rise; the Port's yellow- and red-tagged facilities; ongoing problems posed by underpier utility infrastructure; revitalization of the southern waterfront; and the relentlessly increasing cost of dredging the Port's berths. Daunting as these challenges may be, the Port staff has developed concrete strategies for addressing them.

With respect to the Port's annual recalculation of needs, this plan identifies a total need of just over \$1.62 billion over the ten-year period (plus an additional \$476.3 million for conditional seismic work), primarily for deferred maintenance and subsystem renewal work required on Port facilities.

Changes From Prior Year Plan	State of Good Repair				
	Backlog (\$ millions)	Renewal (\$ millions)	One-Time (\$ millions)	Total (\$ millions)	Seismic (\$ millions)
<i>Prior Year (FY2015-24) Plan</i>	\$613.4	\$544.0	\$433.1	\$1,590.5	\$464.3
Updated project cost estimates, completions	(73.8)		(15.6)	(89.4)	(11.2)
Leased facility improvements (by tenants)		(6.3)		(6.3)	
New year ten (FY2025) project costs		48.0		48.0	
Escalation (5%)	30.7	27.2	21.66	79.53	23.2
FY2016-25 Plan	\$570.3	\$612.9	\$439.2	\$1,622.3	\$476.3

The total need of \$1.62 billion for state-of-good-repair projects includes an estimated \$612.9 million for capital renewal, which represents the amount needed over the next ten years to maintain facilities in a state-of-good-repair, as projected in the FRRM database. This plan shows an existing backlog for deferred maintenance of \$570.3 million, with another \$439.2 million for other one-time expenses. Investments for seismic repairs may or may not be required during the ten-year period; as such, the \$476.3 million cost of seismic work is not included in the total need, but is shown separately.

The plan projects total sources of \$853.7 million will be available during the ten-year period, of which the Port will use \$487.9 million to fund state-of-good-repair and \$365.8 million to fund capital enhancement projects (including seismic work). At the end of the ten-year period, the Port will reduce its state-of-good-repair needs by 30 percent from \$1.62 billion to \$1.13 billion and its conditional seismic needs from \$476 million to \$464.3 million.

As with last year's plan, this plan separates internally- and externally-generated sources into separate discussions. Internally-generated funding sources include (1) Port capital funds, (2) Port revenue bonds, and (3) tenant obligations. Together, these sources are projected to generate \$344.7 million over the next ten years, of which the Port will apply \$328.1 million (or 95

percent) to state-of-good-repair projects and \$16.6 million (or 5 percent) to capital enhancement projects.

Internally-Generated Funding Sources	Repair (\$ millions)	Enhancement (\$ millions)	Total (\$ millions)
Port Capital Budget	\$139.5	\$16.6	\$156.1
Port Revenue Bonds & COPs	41.2		41.2
Port Tenant Improvements	147.4		147.4
Total	\$328.1	\$16.6	\$344.7

Externally generated sources include (1) development projects, (2) general obligation bonds, and (3) grants. This plan projects these sources to generate \$509.1 million, of which the Port will apply \$160.1 million (or 32 percent) to state-of-good-repair projects and \$349 million (or 68 percent) to enhancement projects.

Externally-Generated Funding Sources	Repair (\$ millions)	Enhancement (\$ millions)	Total (\$ millions)
General Obligation Park Bonds	\$5.6	\$55.5	\$61.1
Federal & State Grants	0.4	24.8	25.2
Federal Railway Administration	0.0	2.8	2.8
US Army Corps of Engineers	27.5	0.0	27.5
Prop 1B, RM2 (DTFT)	7.6	89.8	97.4
Development Projects	119.0	176.1	295.1
Total	\$160.1	\$349.0	\$509.1

The Port's Ten-Year Capital Plan continues to evolve since its inception nine years ago. The Port has used the information that the plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and guide the stewardship of its extensive assets.

Since the first plan in 2006, the Port has used this document to guide a total in investment in excess of nearly \$220 million in non-developer funding. Still, a persistent gap remains between the Port's available resources and ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet. While the plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

This year, the Port Commission and Port staff will commence a public planning effort to update the Waterfront Plan with the help of the Planning Department, the Bay Conservation and Development Commission and the California State Lands Commission. This effort will be informed by the 10-Year Capital Plan in a way that was not possible in 1997 when the Waterfront Plan was first adopted. At the time, the Port had some understanding of the condition of its assets – but not the Portwide, strategic view afforded by the 10-Year Capital Plan. Through this planning effort, the Port Commission and the public will have an opportunity to align the 10-Year Capital Plan and the Waterfront Plan, as the Port strives to develop strategies to remain a strong steward of its aging historic resources in the face of major challenges including seismic risk and sea level rise.

II. INTRODUCTION

This report presents the Port of San Francisco's Ten-Year Capital Plan for Fiscal Year 2016 – 2025 (FY2016-25). The Ten-Year Capital Plan (Capital Plan) is updated annually and provides the public with reporting on the Port's capital strategy, including a comprehensive inventory of the Port's facilities, current conditions and capital needs, and available and projected capital resources over the next ten years. It is an important reference document that supports and guides capital expenditure and investment decisions by the Port Commission and staff, and also is included as a chapter of the Ten-Year Capital Plan of the City and County of San Francisco, which is updated biennially.

The Port produced the first ten-year outlook of its capital needs in 2006. That achievement was significant because it provided a complete inventory of the Port's facilities, which span 7½ miles of waterfront stretching from Fisherman's Wharf to India Basin in Bayview-Hunters Point, including piers, wharves, roadways and upland properties along San Francisco Bay. The Port undertook a laborious process of characterizing the general condition of each of its facilities in a newly defined capital portfolio, including generation of estimates for needed capital repair, proposed enhancements and seismic upgrades. This, together with a reporting of various existing and projected sources of funding, enabled the public to understand for the first time the magnitude of the Port's capital needs, as well as the limited resources available to address them. As reflected then and in this current update, existing and projected funding continues to fall short; the FY2016-25 plan identifies funding to address approximately 30 percent of the needed investment in "state-of-good-repair" work to maintain facilities over the next ten years.

As a routine matter, each year the Port staff has updated the Capital Plan to incorporate new information learned over the previous year and improve the Port's overall estimation of the condition of its capital assets. Over time, an increasingly valuable aspect of the capital planning process has been the review of emerging challenges and opportunities, and the public discourse around the values that guide capital decision-making at the Port of San Francisco.

The appeal of the San Francisco waterfront to the public is broad and varied, and creates a thicket of competing demands that sometimes are in conflict. In response to a 1990 voter-approved initiative (Proposition H), the Port Commission adopted the Waterfront Land Use Plan in 1997 – the Port Commission's principle planning document – which provides a framework to reconcile competing waterfront interests including public trust, maritime, public access, historic preservation, urban design, environmental, economic, and community values.

Because the Waterfront Land Use Plan is reviewed only every five years, the annual update of the Capital Plan has grown to reflect more frequent changes to the policy landscape. The Capital Plan, like the Port's two-year operating and capital budgets, is subject to cost estimate revisions, changes in City reporting conventions, and new capital needs that are often defined by changes in uses of Port property. While this year's Capital Plan reflects the Port's priorities for capital spending, each iteration reflects changes in both estimated need and available funding. The Capital Plan is also a repository for the changing financial tools and policy approaches Port staff is pursuing to revitalize the waterfront.

III. STRATEGIC OUTLOOK AND CONTINUING CHALLENGES

This year's plan reflects improvement in the Port's ability to address its capital needs over the next ten years. While the overall need is still substantial, some of the strategies the Port has put in place are beginning to yield results. A review of highlights from the last two years illustrates the Port's progress: the Exploratorium opened at Pier 15; the 34th America's Cup regattas were held on the San Francisco Bay; the Port completed major waterfront parks and shoreline improvements in Fisherman's Wharf, South Beach, Mission Bay, and Bayview Hunters Point; and Turner Construction completed construction of the James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27.

The Port's facilities are beautiful and iconic, but aging. The Port has historically relied on private investment and long-term master leasing to provide resources for new construction and major rehabilitation of its facilities. The Port's Waterfront Land Use Plan explicitly acknowledges this strategy by establishing the process by which the Port selects and partners with private developers. These public-private partnerships pursue mixed use development in designated areas of the waterfront, primarily using private equity and historic tax credits (where applicable). As indicated in prior capital plans, the Port staff has found this approach, on its own, is insufficient, and that additional tools are necessary for the Port to make real progress in its transition from its industrial past to a modern Port and City waterfront.

Increasingly, the Port relies on coordination with other public agencies at the federal, state, and local levels to fund major waterfront improvements. In 2013, the Capital Planning Committee recommended, and the Board of Supervisors formally adopted, guidelines for the use of Infrastructure Financing District (IFD) tax increment proceeds in association with major Port development projects, formalizing City policy as to how this powerful funding tool can be used along the waterfront. The Board of Supervisors also unanimously endorsed term sheets for master plan developments at Seawall Lot 337 & Pier 48 and at the Pier 70 Waterfront Site. The use of IFD tax increment proceeds both addresses the Port's existing backlog at these sites, and builds the accompanying enhancements that make these new developments possible. The size and complexity of these new development proposals garnered a significant level of public attention throughout much of 2013.

Controversy about height limits dominated the discussion about the waterfront in 2014. Local residents and environmental organizations who shared an intense concern about heights in several key instances – during the Broadway Hotel design process, the 8 Washington approval process, and during initial consideration of Piers 30-32 as a site for a Golden State Warriors pavilion – forged a coalition to pass Proposition B in June 2014, a measure requiring a public vote for any waterfront height increase on Port property. Proposition B passed by 59-41%. Proposition B has changed what was primarily a neighborhood planning discussion about appropriate heights into a Citywide discussion with statewide implications, as evidenced by the recent lawsuit that State Lands filed to challenge the measure.

Public planning for Seawall Lot 337 and Pier 70 has demonstrated a clear need to increase height limits to enable feasible redevelopment in these areas. Potential maritime industrial uses in the

Port's Southern Waterfront are also likely to require increases above existing height limits in some cases.

Following on the passage of Proposition B, Forest City California proposed and qualified Proposition F for the November 2014 ballot, authorizing an increase of heights at the 28 acre Pier 70 Waterfront Site from 40' to 90'. While this was lower than the heights of up to 230' that were contemplated by the Term Sheet for the site endorsed by the Port Commission and the Board of Supervisors in 2013, the proposal conformed to massing exercises the Port produced as part of the Pier 70 Preferred Master Plan. Proposition F passed by 73-21%, allowing environmental review and related site planning efforts to continue for the Pier 70 Waterfront Site.

In the past three years, the Port has seen a dramatic uptick in capital investment in projects that have advanced the Port's maritime commerce mission, engaged people at the waterfront, and made substantial progress toward reducing the Port's capital backlog. Much of the Port's own investment over the past two years was driven by the City's commitment to host the 34th America's Cup, which required targeted investments delivered by the Port and its contractors at Piers 30-32 and Piers 19, 19½, 23, 29 and 29½ to make these facilities safe for event participants and spectators. These included major reconstruction of the Pier 19 south apron, which now serves as dedicated open space, new power distribution in the Pier 23 shed, substantial substructure repair to Pier 29, ceiling truss repairs in the Pier 29 shed, and rehabilitation of structural elements at the marginal wharf underneath the Embarcadero at Piers 30-32.

These experiences have yielded important insights for future Port capital planning:

- As demonstrated by the James R. Herman Cruise Terminal and the rebuild of Pier 29 after a fire, the City has the expertise and capacity to direct major new investment within a very short timeframe;
- Port Maintenance staff are most often the Port's most cost-efficient and effective means of rebuilding most Port aprons and bringing Pier sheds into code compliance;
- The Port excels at designing and building public parks and managing historic rehabilitation improvement projects; and
- In order to deliver major waterfront improvements, the Port requires a comprehensive strategy to obtain entitlements and regulatory approvals, particularly for in-water construction.

Pursuant to direction from the Port Commission, this year's plan continues progress made in recent years to expand and stabilize capital funding from the Port's operating budget. Port staff also has continued to refine the capital project scoring process, with an inter-divisional focus on project readiness and financial outcomes.

Capital Project Investment Priorities

The projects and investments prioritized in this plan are guided by criteria the Port Commission believes respond to basic public safety and environmental needs, optimize resources that address the Port Commission's fiduciary responsibilities, and strike a balance among diverse public interests. Port staff used the following criteria to set investment priorities:

- Basic repairs and improvements to existing facilities that support continued leasing and revenue generation;
- Infrastructure improvements, including seawall, substructure, and utility repairs that respond to the shared objectives of protecting public safety, improving environmental quality, and responsible stewardship of historic resources along the waterfront;
- Improvements to retain and support San Francisco's diverse maritime and industrial tenants;
- Investments in waterfront parks and public open space that meet public trust needs and acknowledge the increasing role of Port lands in addressing City economic and quality-of-life objectives; and
- Strategic waterfront development that leverages private investment to support City policies and transform the waterfront, while reducing the Port's capital liability and enhancing land value.

Waterfront Land Use Plan Update

As described above, in the wake of several ballot measures adopted by voters to limit Port development and to require voter approval of waterfront height increases, Port staff has initiated efforts to review and update the Waterfront Land Use Plan ("Waterfront Plan") – the Port's guiding policy document – in keeping with the requirements of Proposition H (1990).

Port staff published the Draft Review of the Waterfront Land Use Plan, a report that documents 120 major Port development and capital project accomplishments since 1997, analyzes development projects that were initiated but were not completed to glean lessons learned, and makes preliminary recommendations to the public and the Port Commission about issues that should be considered in updates to the Waterfront Plan. The Port accepted public comment on the Draft Review through November 30, 2014, as the first phase in a broader public outreach effort to update the Waterfront Plan.

Port staff intends to develop detailed recommendations for Port Commission consideration for a public planning effort involving San Francisco Planning Department, BCDC and the California State Lands Commission to update the Waterfront Plan.

Through its 10-Year Capital Plan, the Port has established a process of prioritizing available public funding to finance improvements to Port assets based on criteria established by the Port Commission including return on investment, relationship of the project to the Port's maritime mission, public safety, regulatory requirements, protection of cultural and natural resources, etc. As part of the effort to update the Waterfront Plan, Port staff have begun assembling information and analysis about waterfront-wide issues including the age and construction type of the Port's historic piers, sea level rise, seismic risk, historic character of Port facilities, open space, the public realm and waterfront transportation to enable the Mayor, the Board of Supervisors, the Port Commission and the public to form a consensus about how to guide public and private investment on Port property going forward. Preliminary staff analysis developed to support this effort suggests some major themes:

- ***There is not that much Port land available for mixed-use development.*** Much of the Port's 670 acres has been developed for long-term uses or otherwise are dedicated for open space and maritime uses. Approximately 44% of Port property, or 298 acres, is used or reserved for maritime uses. Another 131 acres, or 20%, has been turned into open space, or is planned for open space. 18% of Port property (120 acres) has been developed for mixed uses or is leased. Approximately 8% of Port property (51 acres) is in various stages of planned mixed use development, including two new neighborhoods at Pier 70 and on Seawall Lot 337 in Mission Bay. Port staff has identified an **additional 5% of Port property that is still un-programmed, but is likely development sites;** another 7% of Port property is characterized by "engineering, economic and regulatory challenges" which could or could not be viable development sites pending further analysis and public dialogue.

While there has been significant public focus on waterfront development, as the waterfront matures, development will slow over time, and the Port will require more public funding to address key infrastructure requirements.

- ***Rising sea levels and the City's future flood protection needs pose a serious challenge to the Port's traditional model of redeveloping finger piers.*** Some piers are subject to current flood risk in a strong storm (100 Year Flood), and the piers will become more flood prone over time. With rising sea level, the construction window for repair and maintenance of substructure decks of finger piers will become shorter and shorter making it quite expensive to repair and maintain the substructure decks. The concrete degradation due to corrosive marine environment also is expected to accelerate. Considering all these facts, Port staff do not consider additional 66 year leases of the piers advisable without an identified solution to sea level rise; based on current projections of rising sea levels, 35 (or 30) year leases may be the longest advisable lease term. Lease provisions that allow early termination for sea level rise, or two way options to extend leases with solutions to sea level rise could provide a similar solution. Port staff needs to evaluate solutions to protect piers from flooding, such as flood walls or raised floor elevations. Other approaches to protecting the Port's historic finger piers, such as restoring bulkhead buildings for public use, and keeping pier sheds in light industrial use, also should be investigated.

- *Addressing seismic risk to the seawall and the bulkhead buildings that mark the entrance to the Port's piers is a clear priority.* The *Seawall Seismic Risk Analysis* will analyze seismic and liquefaction risk to the Port's seawall in a major temblor on a nearby fault. If the study identifies that the seawall is subject to significant movement during such an event, it could undermine the bulkhead structures along the Embarcadero, and damage utilities and the Embarcadero Roadway, including San Francisco Municipal Transportation Agency transit infrastructure. The study will also provide high level conceptual design solutions to mitigate this risk.
- *There is strong public support for the Port to continue its plan implementation efforts at Pier 70 and Seawall Lot 337 in Mission Bay.* Due to the Port's public planning efforts that preceded selection of development partners at these sites, and the close collaboration of Port development partners with the community during development master planning, it is clear that there is strong support to continue these development efforts. Both projects incorporate site and design measures to plan for sea level rise. They also will fulfill important community objectives of delivering new open space, rehabilitating historic resources, building new green infrastructure and providing market rate and affordable housing to address the City's housing crisis. The Seawall Lot 337 project will require voter approval of proposed height increases.
- *Additional neighborhood planning is needed in the South Beach area and in the Northeast Waterfront at the foot of Telegraph Hill.* These neighborhoods have recently experienced development controversy that warrants additional planning to rebuild trust, and are the primary locations where the Port's few remaining mixed use development opportunities exist. These neighborhood planning efforts will examine land use options for under-utilized piers and surface parking lots and related urban design, transportation and historic preservation considerations. The Port Commission has also directed Port staff to develop a Southern Waterfront maritime/eco-industrial master plan based on prior public planning to direct continuing staff efforts to develop its maritime terminals and adjacent backlands.

During the public process to update the Port's Waterfront Plan, Port staff intends to use the lessons learned from the 10-Year Capital Plan to enable the public and policymakers to understand the unique financing and engineering challenges associated with historic waterfront infrastructure and buildings. Developing a clear understanding of the limits of when and where public and private investment can be successful in upgrading existing assets will allow decision-makers to decide when historic assets are truly beyond their useful life, and when the Port should begin envisioning new maritime and public trust improvements that are resilient to sea level rise and can serve coming generations.

Continuing Challenges and Opportunities

In addition to the investments needed to maintain facilities in a state-of-good-repair, there are other issues that may pose significant challenges in the future. The most immediate concerns, and implications for this and future capital plans, are described below.

The Seawall: The seawall and adjoining marginal wharf¹ that run along The Embarcadero from Fisherman's Wharf southwest to Mission Bay constitute the City's primary flood control system along the Bay waterfront. Collectively, these interconnected structures form the essential foundation of The Embarcadero Promenade. Built in segments from 1876 to 1929, the Seawall was and still is a major engineering achievement, established through the creation of a reinforced rock dyke, supported by concrete and wooden piles. The Port has maintained ongoing efforts to repair the seawall, which is a contributing historic resource in the Embarcadero National Register Historic District.

These structures continue to function as originally designed. However, recent and planned Port construction projects, including the Pier 43½ Bay Trail Promenade and Brannan Street Wharf projects, have uncovered aged and damaged elements of the Seawall, which supplement the growing repair demands associated with maintaining the marginal wharf. Increasing concern among state policymakers, including the California State Lands Commission, the San Francisco Bay Conservation and Development Commission (BCDC) and the Joint Policy Committee,² in addition to knowledge gained through flood risk and sea level rise studies the Port has conducted or has underway, elevate the urgency of developing a City strategy.

In 2014, the Port Commission authorized an earthquake vulnerability study of the Great Seawall, which was awarded through a competitive process to a Joint Venture between GHD, Inc., an international professional services company with an office in San Francisco, and Geotechnical Consultants, Inc. The purpose of this study is to take a comprehensive look at the earthquake safety of this portion of the waterfront. Specific objectives of the study include:

- analysis of earthquake behavior of the seawall, bulkhead wharves, and adjacent infrastructure including the Embarcadero Roadway;
- assessment of earthquake damage and safety risks, including SFPUC, BART and MUNI infrastructure
- forecast of economic impacts;
- development of conceptual level earthquake retrofits for the seawall and bulkhead wharves; and
- prioritization of future improvements and/or further study needs.

Additionally, the study results will assist the Port in planning for and implementing adaptation measures necessary to address sea level rise and climate change. At the early conceptual stage of

¹ The marginal wharf, or bulkhead wharf, is a piled structure built parallel to the waterfront along the top of the seawall with the purpose of extending a deck over the water to provide berthing for ships along the seawall and as a connection point for the finger piers, which in many cases were built later. The marginal wharf was built in twenty one sections and varies in width and construction, the newer sections being constructed of concrete. The marginal wharf also supports the bulkhead buildings along The Embarcadero.

² The Joint Policy Committee is a forum where the three major regional policy entities, which include BCDC, the Metropolitan Transportation Commission and the Association of Bay Area Governments, resolve competing policy objectives in order to provide unified policy guidance to Bay Area local governments. The Joint Policy Committee has been charged by the three agencies with further analysis and public policy guidance to local governments that are exposed to risks of sea level rise.

this effort, Port engineers are suggesting a wide potential range of costs to strengthen the seawall, ranging from \$50 million (for relatively minor strengthening in a few locations) to \$4 billion (for complete replacement). Costs in this range are beyond the port's ability to fund with its own resources, and a combination of sources will likely be required to fund this work, including local, state and federal sources. A major goal of this study is to produce a conceptual seismic design for the seawall and bulkhead wharves that can be incorporated in the City's 10-Year Capital Plan.

Tidal Flooding and Sea Level Rise: In 2011, the Port completed a URS study of sea level rise along the northern waterfront, analyzing potential flooding impacts assuming 16" of sea level rise by 2050 and 55" by 2100. In 2013-14, the Port participated in an inter-departmental task force called SF Adapt, formed at Mayor Edwin Lee's direction, to assess the potential impacts of climate change on the City. A Sea Level Rise Committee of SF Adapt was tasked with developing guidelines for incorporating sea level risk into capital planning for the City. Port staff participated in this Sea Level Rise Committee, which developed Guidance for Incorporating Sea Level Rise into Capital Planning in San Francisco: Assessing Vulnerability, Risk and Adaptation. This guide is intended to be a "how to" guide for capital planners, presents the most up to date science on sea level rise and lays out four steps in the process for incorporating sea level rise into capital planning: 1) Science review; 2) Vulnerability assessment; 3) Risk assessment; and 4) Adaptation planning.

The Port and BCDC also initiated the Mission Creek Adaptation Project as part of an international collaboration between the Netherlands-based Stichting Delta Alliance, several City departments including the San Francisco Public Utilities Commission, the Planning Department, the Department of Public Works and San Francisco Environment, BCDC and SPUR to develop sea level rise adaptation alternatives for the Mission Creek waterfront area of San Francisco. Mission Creek is one of the City's lowest-lying areas and is vulnerable to flooding from sea level rise. This Project seeks to build the capacity of San Francisco to address the risks of flooding from sea level rise and storms by developing adaptation alternatives for the Mission Creek area and continuing the exchange of knowledge and information between the Netherlands and California. The primary objective of the project is to develop sea level rise and storm water adaptation alternatives for the Mission Creek area portion of the City's waterfront based on the findings of a high-level vulnerability assessment. This study will also provide the Port with concepts that could address future flood risk along Islais Creek and other parts of the waterfront.

BCDC-Port Cooperative Planning. As part of the planning and permitting process to entitle the Pier 27 Cruise Terminal project in 2012, the Port and BCDC have been managing a cooperative joint planning process to identify additional public benefit opportunities along the San Francisco waterfront. This work relates closely, and will be integrated with Port efforts to update the Waterfront Land Use Plan. Public benefits include the improvement or creation of new public open spaces and public realm, and improved connections that create continuous public access and enjoyment of the waterfront. One of the priority opportunities is to create landscaped improvements to the Ferry Building Plaza on the bay side of the Ferry Building, where the Farmer's Market occurs every Saturday. It has become a major public gathering space and should be improved to be an attractive addition to the Port's waterfront open space system. Planning work is in the early phases and there is no design yet, or cost estimates. Any significant improvement to create this public plaza is anticipated to require substantial resources. The Port would evaluate tax increment proceeds from Infrastructure Finance District, tenant contributions, future General Obligation Bond funding, along with grants and other funding options as part of developing an implementation strategy.

At-Risk Facilities. The Engineering Division regularly conducts inspections of all Port facilities and records and categorizes the condition of more than 350 structures, including piers, wharves, and buildings. Based on the structural condition of the facilities, the division makes recommendations for occupancy loads, load restrictions, barricades, and warning signs. The inspection findings also are used to document maintenance and repair needs.

In 2013, the Engineering Division updated the Port Commission on the status of facilities that are load-restricted (yellow-tagged) or fully restricted (red-tagged), based on the Facility Assessment Program.³ The Engineering Division has updated this report, which will be heard before the Port Commission on February 10, 2015.

Yellow-tagging and red-tagging are engineering risk management strategies designed to protect the public, Port tenants and Port staff. Red-tagging involves closure of a facility for use and occupancy until safe occupancy can be restored. The red-tagging and closure of some of these facilities could have a negative impact on the Port's operating revenues, which in turn would impact the ability to fund other capital improvements.

The 2015 engineering report lists 35 facilities as yellow-tagged, with at least another 10 years of adequate performance, and 22 facilities as red-tagged, predicted to fail within approximately five years. The Engineering Division will continue to monitor these facilities and impose further restrictions as necessary until repairs are made. Consistent with the Port Commission's investment criteria, revenue-generating yellow-tagged facilities will continue to receive priority in future capital planning and allocation decisions.

While there are no revenues generated by red-tagged assets, nevertheless they pose a risk of failing and triggering an emergency repair or demolition, and possible closure of an adjoining green or yellow-tagged facility. In some cases, red-tagged facilities may impair the Port's ability

³ "Informational Presentation on the Port's Load Restricted (Yellow with Green Hatching-Tagged) and Fully Restricted (Red-Tagged) Facilities," February 7, 2013.

to utilize an adjacent green or yellow-tagged facility to greater potential by restricting access (especially fire egress). While some of the red-tagged facilities may never be repaired, others may still be brought back into productive use with sufficient capital investment. The Capital Plan reflects efforts to address three of the 22 red-tagged facilities:

Facility	Remediation Plan
Pier 31	Port Engineering is preparing design plans for architectural, structural and utility improvements. Project will be bid in 2015.
Pier 38	A private development partner has been selected who will refurbish the bulkhead and portion of adjoining shed; possible phase two refurbishment may be added to address remainder of shed and north and south aprons (including seismic strengthening of shed and substructure)
Pier 19 North Apron	Port Engineering is 90% complete with creation of structural repair plans. Repair to begin in the summer of 2015.

As part of the Facility Assessment Program, the Engineering Division will continue to monitor red-tagged facilities to preclude the possibility of a significant collapse without warning. Repairs to additional red-tagged facilities will be funded in future capital plans as revenue sources are identified.

Under Pier Utility Infrastructure. To ensure compliance with regulatory standards, the Port instituted an under pier utility inspection and response program. The objectives of the program are to: (1) ensure that all under pier water and sewer utilities are inspected annually (consistent with the Port's permit requirements); (2) identify active leaks or highly vulnerable conditions that could lead to pipe failure; and (3) take corrective action to stop leaks and prevent failures which could result in an illegal discharge into the Bay.

The Port's Maintenance Division created a scorecard to record observations and assess conditions based on visual inspections. The Division has documented a response protocol that will be followed to address the findings from inspections. Work orders will be generated to address detected leaks or critical conditions that pose an immediate threat to water and sewer infrastructure. Non-critical conditions will be documented and scheduled for follow-up inspections on an annual basis. The Maintenance Division initiated inspections of all piers in 2013. Funding in the amount of \$250,000 annually for the inspection and response program is included in the two-year Capital Budget, and anticipated to continue throughout the entire period of the Ten-Year Capital Plan. Larger repairs (such as completely replacing water and sewer lines) are beyond the scope of the inspection and response program. Instead, those needs will be incorporated into larger plans for pier improvements, such as the development projects described elsewhere in this report.

Southern Waterfront Revitalization. The Port continues land use planning and maritime market outreach to update plans for improving Piers 80 to 96, including the Piers 90-94 Backlands in the Southern Waterfront. Much of this area is underutilized and represents a major

opportunity for increased maritime commerce and complementary industrial uses. This is the remaining primary area within City and Port jurisdiction that can support the unique operational and transportation access requirements of maritime commerce public trust uses.

A recent economic benefits study highlights the value of maintaining and expanding industrial uses on Port property. The report⁴ estimated that Port industrial and maritime tenants generated over \$785 million in annual economic activity in San Francisco, and employed roughly 2,400 workers (2011 data). The report also noted the policy benefits that accrue to the City from the Port's industrial and maritime property, including: retention of targeted production, distribution, and repair (PDR) jobs; a concentration of potential incubator space for fast-growing "creative industries" and innovative business ventures; and positive environmental outcomes from businesses operating in close proximity to their customers. Additionally, the report found that wages in industrial jobs such as those located on Port property were, on average, 24 percent higher than retail and personal services jobs in San Francisco. Operational benefits to the Port include diversification of the real estate portfolio (which helps manage risk) and uses that are consistent with the Public Trust Doctrine.

In 2011, the Federal Railroad Administration (FRA) awarded the Port a \$3 million grant for signaling and freight rail track upgrades to the Quint Street Lead, a one-mile stretch of track that connects the Caltrain main line to the Port of San Francisco Rail Yard on Cargo Way. The Port is focused on enhancing freight rail access to and from San Francisco to reduce freight truck trips on regional highways and city streets. Freight rail is also an important element of the City's emergency response plan to serve city evacuation and clean-up requirements in the aftermath of a disaster.

Given the size and location of the Port's Southern Waterfront assets (including unimproved land and underutilized piers), Port staff are pursuing a number of key initiatives to improve the area. These include a joint project with the Department of Public Works to competitively bid an asphalt and concrete batching plant to supply City paving projects and an iron ore export terminal at Pier 96. There have been expressions of interest for these and other uses, but significant improvements to infrastructure and environmental restoration must be undertaken to make the area viable. The Port's proposed \$19.5 million request to fund capital projects includes notable expenditures to improve the area, including \$8.5 million to fund the Backlands Project which will grade a 17 acre underutilized area, pave a portion of the land, construct a roadway and install solar lighting, fire hydrants, composting, restrooms, and a natural based storm water management infrastructure. Improvements will accommodate the site for leasing for construction laydown, vehicle parking and storage types of uses.

Any such improvements to Port Southern Waterfront property must undergo environmental review pursuant to requirements under the California Environmental Quality Act (CEQA) and Chapter 31 of the San Francisco Administrative Code, under the direction of the San Francisco Planning Department. Given the types of improvements contemplated for these Southern Waterfront properties, the Port anticipates the requirement for an addendum to the Southern

⁴ "Economic Benefits of Port Maritime and Industrial Uses," prepared by BAE Urban Economics, December 2013.

Waterfront Environmental Impact Report (SEIR) and has commenced work with the San Francisco Planning Department on this effort..

IV. CAPITAL NEED ESTIMATES

The FY2016-25 update of the Port's Ten-Year Capital Plan identifies a total need of just over \$1.62 billion (plus an additional \$476 million for conditional seismic work), primarily for deferred maintenance and subsystem renewal work required on Port facilities. For purposes of this plan, "need" is defined as projects required to maintain Port property in a state-of-good-repair for existing use over the next ten years. In this context, need excludes seismic upgrades (which may or may not be triggered by code requirements) and capital enhancements (such as building new infrastructure or parks along the waterfront). This distinction among different project types is a part of the architecture of the Port's capital modeling software, the Facilities Renewal and Reinvestment Model (FRRM), which is also used by the City to project all General Fund departments' capital needs.

This \$1.62 billion in need is approximately \$39 million more than the need identified in the Port's prior year (FY2015-24) capital plan (excluding conditional seismic work, which was \$464 million in the prior year). Each year the capital plan cost estimates are updated to reflect the following changes:

1. Completed projects are removed from the backlog (including projects undertaken by the Port and by tenants, where the tenant has responsibility for facility maintenance);
2. Project costs are updated to reflect more recent estimates, where available (e.g., as a result of a more extensive engineering analysis, design and/or third-party cost estimates);
3. A new year ten (FY2025) is rolled into the plan, and most of previous plan's year one (FY2015) costs are rolled into the backlog, if the project was not funded; and
4. Costs are escalated annually by the Controller's office based on various construction indexes, with a 5 percent escalation applied this year (the escalation factor is built into FRRM).

Table 1 summarizes adjustments to the Port's capital need estimates. Completed projects help to lower the need, while inflation and the addition of a new tenth year add to the projected need over the next ten years. Updated project cost estimates are based on more detailed engineering designs for development projects at Piers 30-32 and Pier 70.

Table 1 -- Port Capital Need Estimates

Changes From Prior Year Plan	State of Good Repair				Seismic (\$ millions)
	Backlog (\$ millions)	Renewal (\$ millions)	One-Time (\$ millions)	Total (\$ millions)	
<i>Prior Year (FY2015-24) Plan</i>	\$613.4	\$544.0	\$433.1	\$1,590.5	\$464.3
Updated project cost estimates, completions	(73.8)		(15.6)	(89.4)	(11.2)
Leased facility improvements (by tenants)		(6.3)		(6.3)	
New year ten (FY2025) project costs		48.0		48.0	
Escalation (5%)	30.7	27.2	21.66	79.53	23.2
FY2016-25 Plan	\$570.3	\$612.9	\$439.2	\$1,622.3	\$476.3

As Table 1 illustrates, the total need of \$1.62 billion for state-of-good-repair projects includes an estimated \$612.9 million for capital renewal, which represents the amount needed over the next 10 years to maintain facilities in a state-of-good-repair, as projected in the FRRM database. This plan shows an existing backlog for deferred maintenance of \$570.3 million, with another \$439.2 million for other one-time expenses.⁵ Investments for seismic repairs may or may not be required during the ten-year period, as described below; as such, the cost of seismic work is not included in the total need, but is shown separately. Appendix A provides a detailed breakdown of the need shown in Table 1, by Port facility.

Seismic Costs

Since the publication of the Port's first capital plan in 2006, the Port has maintained a policy decision to assume as a need all seismic repair even where that need exceeds code-driven requirements. In consideration of the fact that many of the Port's structures are 100 years old, the Port's original capital plan adopted a standard that all properties should be upgraded to modern seismic standards.

The City's Capital Planning Committee has provided direction to City departments to report need (defined as projects required to maintain property in a state of good repair) separately from seismic work.⁶ To conform to City convention, the FY2012-21 Capital Plan instituted a policy of

⁵ One-time needs are generally utilized in FRRM for non-cyclical needs, which are typically driven by changes in code requirements. The Port's capital modeling also includes a large number of the structures at Pier 70 in this category, as they are condemned and entirely in a state of deferred maintenance. For these structures, partial rehabilitation is not a viable option, and any rehabilitation will trigger substantial seismic work. Until they are rehabilitated and enter a capital maintenance cycle, the entire rehabilitation cost for these buildings are modeled as one-time costs.

⁶ The City's modeling of capital needs differs from the Port's in one very important respect, which is related to the fact that only the Port must account for pile supported pier structures. The City's calculation of "need" is entirely centered around renewal of building subsystems at the end of their usable life. As a result, there are no state-of-good-repair projects carried in the City Plan that could trigger a seismic upgrade to the structure in which they are contained. For that reason, the City classifies all seismic upgrade projects as capital enhancements. The Port's modeling of its capital assets is distinct from the City's in that the Port includes structural elements of buildings –

programming funding for seismic work only where a change of use or major rehabilitation is taking place, consistent with building code requirements. The FY2016-25 Capital Plan further distinguishes between the Port's aggregate capital need and capital need inclusive of contingent seismic costs by separating out seismic costs from state-of-good-repair. Over the next ten years, that seismic need totals \$476 million.⁷

The seismic work identified in this plan represents a kind of worst-case scenario in terms of potential impacts to capital expenditure planning. Port engineers believe that a number of the pier and wharf structures along the waterfront may be structurally repaired in a manner that does not trigger seismic work. Additionally, depending on the way in which a given pier was constructed (as nearly all were constructed approximately 100 years ago), costs associated with full seismic upgrade can be prohibitive, where the amortization period for the associated investment would exceed the useable life of the pier (in particular, the cost of mitigating the effects of sea level rise and overtopping of lower elevation piers complicate the economics of investment recovery on these facilities).

the piles and decking of piers. Repair to these pier structure elements will under some circumstances trigger seismic work, so the Port categorizes seismic projects as conditional or caveated need (as opposed to capital enhancement).

⁷ This number excludes Pier 70, where the costs for seismic work are rolled into "full rehabilitation" estimates, where seismic-only costs cannot be separated out (see footnote #5).

V. CAPITAL EXPENDITURES

This plan identifies funds that are projected to be available during the ten-year period from FY2016 through FY2025. The expenditure of those funds is broken into two categories: (1) capital projects that help maintain the Port's facilities in a state-of-good-repair, and (2) enhancement projects that add value to the Port property (some enhancement projects also include work to address seismic conditions). Table 2 provides a breakdown of capital expenditures and funding sources by fiscal year.

Table 2 -- Ten-Year Capital Expenditure Plan

Spending Plan	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021-25	Total
State of Good Repair							
Emergency Facility Repair	0.1	0.1	0.1	0.1	0.1	0.5	1.0
ADA		0.1	0.1	0.1	0.1	0.5	0.9
Dredging	18.9	6.0	6.0	6.0	6.0	30.0	72.9
Emerging Needs							
Repair / Reinvestment	60.4	52.9	44.8	49.4	21.2	184.5	413.2
<i>State of Good Repair Subtotal:</i>	<i>79.4</i>	<i>59.1</i>	<i>51.0</i>	<i>55.6</i>	<i>27.4</i>	<i>215.5</i>	<i>487.9</i>
Enhancements							
Parks and Open Space	10.5	12.8	0.8			32.4	56.5
Facility Improvements	2.0	6.5	5.3	4.2	4.4	20.4	42.9
Development Project Areas		5.3	59.6	62.5	15.1	33.5	176.1
Ferry Terminal Expansion Project	9.4	10.2	9.7	38.6		22.4	90.3
<i>Enhancements Subtotal:</i>	<i>22.0</i>	<i>34.9</i>	<i>75.4</i>	<i>105.3</i>	<i>19.5</i>	<i>108.7</i>	<i>365.8</i>
Spending Total:	101.3	93.9	126.4	160.9	47.0	324.2	853.7

*Deferred
SOGR:
1,133.0*

*Deferred
Seismic:
464.5*

Funding Sources	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021-25	Total
Port Capital Budget	12.8	19.8	22.2	15.9	15.5	69.9	156.1
Port Revenue Bonds and	1.2					40.0	41.2
General Obligation Park	11.4	13.9	0.8			35.0	61.1
Federal & State Grants	2.0	3.8	2.0	2.2	2.5	12.6	25.2
Federal Railway	2.8						2.8
US Army Corps of Engineers	0.3	7.0				20.2	27.5
DTFT - State Proposition 1B	5.4	6.1	10.3	38.6		22.4	82.8
DTFT - Local Sources (RM2)	5.4	6.1	3.1				14.6
Port Tenant Improvements	29.4	5.5	8.9	29.4	13.8	60.4	147.4
Development Projects	30.7	31.8	79.0	74.7	15.1	63.7	295.1
Funding Total:	101.3	93.9	126.4	160.9	47.0	324.2	853.7

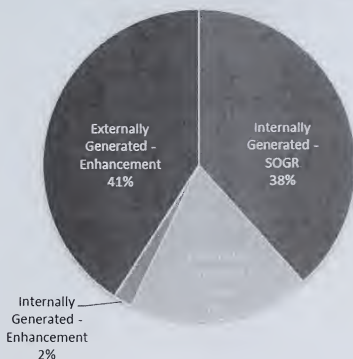
Balance/ (Shortfall):	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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Additional Funding Sources	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021-25	Total
US Army Corps WRDA 2020						40.0	40.0
City Match to WRDA 2020						20.0	20.0
Transferrable Development						23.9	23.9
Additional Funding Sought						83.9	83.9

As Table 2 illustrates, a total of \$853.7 million is projected to be available during the ten-year period, of which the Port will apply \$487.9 million to state-of-good-repair needs and \$365.8 million to capital enhancement projects (including seismic work). At the end of the ten-year period, the Port will reduce its state-of-good-repair needs by 30 percent from \$1.62 billion to \$1.13 billion and its conditional seismic needs from \$476 million to \$464.3 million.⁸ Fluctuations in year-to-year spending are driven by the timing of repair and renewal activities, the availability of grant funding for dredging the Central Basin, and development project schedules, as reflected in project term sheets and other planning documents.

Overall, the plan reflects a balanced expenditure of funds, with most of the Port's internally generated funding sources directed towards state-of-good-repair (SOGR) projects, whereas enhancement projects are more dependent on externally generated funds, as described in the next section and illustrated below:

Figure 1 – All Funds, Sources and Uses



While the plan projects \$853.7 million in capital investments over the next ten years, at the end of that period the Port will still face a backlog of \$1.13 billion for needed improvements, and possibly another \$464.5 million in conditional seismic work. The Port must continue to explore ways to address these unfunded needs, including building partnerships to attract new sources of

⁸ A small amount of seismic conditions will be addressed by development projects (Pier 48 and Pier 70) and the Downtown Ferry Terminal project. For the most part, project plans assume that conditional seismic requirements are not triggered. The capital plan will continue to carry conditional seismic costs in project inventory unless and until there is a definitional change or investments are made that remove the cost.

funds. Some pier sheds, such as Piers 26, 28, and 54, do not appear viable for rehabilitation with present day financing tools (although rehabilitation of the bulkhead structures appears feasible). Piers 26 and 28 are contributing resources to the Embarcadero Historic District listed on the National Register of Historic Places. If the Piers 26 and 28 sheds cannot be rehabilitated in their entirety (as prior predevelopment investigation at Pier 26 suggests), Port staff believe that there may be an approach to saving and rehabilitating the historic Piers 26 and 28 bulkhead buildings, with their distinctive Spanish-Mediterranean facades underneath the Bay Bridge. The Port will work with historic rehabilitation experts and the public to determine the future of these facilities.

The bottom of Table 2 lists additional funding sources that the Port is actively pursuing. These funding sources are too speculative to include in the current expenditure plan, but reflect the Port's ongoing strategy for outside funding sources. As the Port obtains additional federal, state or local legislative authorization or grant awards, these funding sources will be added to future capital plans. It is also likely that estimations of need will change as the Port investigates these funding opportunities. For example, it is only after the Port conducts preliminary engineering analysis of the seawall that staff will be able to accurately reflect costs to strengthen the seawall in the capital plan.

VI. PLAN OF FINANCE

The purpose of the plan of finance is to map out how the Port intends to utilize existing and potential financing mechanisms to maintain its assets in a state-of-good-repair and to enhance its portfolio through strategic investments. The plan presents a strategy that will fund \$853.7 million in state-of-good-repair and enhancements over the ten-year period (FY2016-25). The first two years of this plan employ the two-year capital budget as a starting point. The two-year capital budget will be considered for adoption separately by the Port Commission; subsequent years' capital spending will go before the Port Commission for approval as part of the biennial budget process.

This report breaks discussion of funding sources into two categories: (1) internally-generated funds, and (2) externally-generated funds. The funding sources within each category are described more fully below, along with a discussion of the proposed uses of those funds. Table 2 summarizes the amounts projected from each of these sources over the next ten years.

A. Internally-Generated Funding Sources

Internally-generated funding sources include those sources that are primarily within the Port's control, utilizing existing assets, with a fairly high degree of confidence in their projected value. These sources include (1) Port capital funds, (2) Port revenue bonds, and (3) tenant obligations. Together, these sources are projected to generate \$344.7 million over the next ten years, of which the Port will apply \$328.1 million (or 95 percent) to state-of-good-repair projects (including dredging) and \$16.6 million (or 5 percent) to capital enhancement projects:

Internally-Generated Funding Sources	Repair (\$ millions)	Enhancement (\$ millions)	Total (\$ millions)
Port Capital Budget	\$139.5	\$16.6	\$156.1
Port Revenue Bonds & COPS	41.2		41.2
Port Tenant Improvements	147.4		147.4
Total	\$328.1	\$16.6	\$344.7

The sources and uses of internally-generated funds are illustrated below:

Figure 2 – Internal Funding Sources

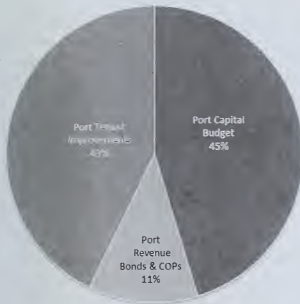
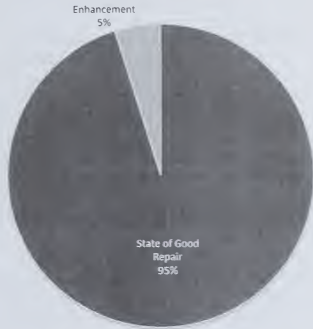


Figure 3 – Uses of Internal Funds



A.1 Port Capital Funds

In 2012, the Port Commission adopted a policy designating a minimum amount of operating revenues for capital projects. Pursuant to this policy, on an annual basis, a minimum of no less than 20 percent of Port operating revenues shall be set aside in the Port's operating budget to fund capital expenditures (increasing to 25 percent beginning in FY2019). This minimum funding requirement shall be met through (1) an annual appropriation for current capital expenditures ("Capital Budget") and (2) a designation of current estimated revenues for future capital expenditures, consistent with the Ten-Year Capital Plan. The policy is intended to (1) ensure that the Port has stable and growing operating resources dedicated to capital expenditures, (2) constrain the operating budget to achieve the funding requirement goal of operating revenues for capital, (3) require staff and Port Commission trade-off decisions between operating growth and capital needs, and (4) reduce the credit risk associated with unfunded capital obligations.

The policy is an attempt to reverse the Port's historical trend of underinvestment in maintaining its assets in a state-of-good-repair. Based on certain analyses, the Port should reinvest in its pier substructures a minimum amount of 0.75 percent of the value of those substructures each year.⁹ According to this formula, the Port should spend \$23.3 million annually in substructure repairs

⁹ The level of need is calculated based on the cyclical replacement of portions of pier substructures, based on construction type and exposure to tidal action. For example, Port engineers estimate that the Port should rehabilitate 15 percent of the Port's pre-1920s era concrete piers every 20 years.

alone. Over the last ten years the annual appropriation for the Capital Budget has averaged just over \$10 million.¹⁰ The size of the Port's annual capital budgets combined with the deferred backlog has meant that the capital budgets have primarily funded dredging, deferred maintenance and emergency needs, and have not addressed renewal needs adequately.

Port capital funds are generally allocated to the following program areas: (1) emergency facility repair (a set-aside of funds for unforeseen situations, available for the most pressing capital needs in subsequent years if the programmed year remains emergency-free); (2) renovations to make facilities compliant with the Americans with Disabilities Act; (3) dredging of the bay floor along the waterfront, which maintains the depth of berths at the Port's piers so that they remain suitable for water traffic; (4) emerging needs, where planning and design of projects are funded in order to position them for non-Port sources of construction funds; (5) repair and reinvestment to maintain facilities for current use; and (6) capital enhancements, where new assets are being constructed or where development of a facility includes rehabilitation far beyond return to current use. The process and criteria used to select projects for the Capital Budget are described in Appendix B.

Year 1 of the Capital Plan is the second year of the two-year Capital Budget, which is adopted by the Port Commission on a biennial basis. For FY2016, that allocation programs capital funding at \$12.8 million. An unplanned surplus of funds has provided an additional \$19.4 million for assorted projects, which the report discusses below, bringing the FY2016 total to an unprecedented \$28.1 million in Port Capital funds. The next four years of the plan (FY2017-FY2020) are based on forecasts included in the Port's five-year financial plan, and reflect a modest increase in capital funding each year. The capital plan assumes an average available capital budget of \$17.2 million per year for the remaining five years of the plan (FY2021-2025). Overall, capital funding from the Port's operating budget reflects a notable improvement from the average annual appropriation levels of past plans.

The projects currently proposed to be funded by the additional funds include:

- Port development of the Backlands, \$8,500,000;
- BAE Electrical Service Separation, \$3,000,000;
- Matching the US Army Corps of Engineers to dredge the Central Basin, \$2,900,000;
- Pier 23 Roof Replacement, \$2,833,151;
- Additional funding for the Quint Street Lead, \$1,000,000;
- Seawall Study and Repairs, \$1,000,000; and
- Pier 39 Sediment Investigation, \$250,000.

Each of the listed projects is described in detail in the February 6, 2015 staff report requesting approval to seek the aforementioned \$19.4 million supplemental appropriation.

¹⁰ The range of funds available for annual reinvestment during this ten-year period is from a low of \$6.4 million in FY2005 to a high of \$15.4 million in FY2012; however the amounts prior to adoption of the Capital Policy do not reflect a natural growth over the period but instead show a wide variation in the allocation.

A.2 Port Revenue Bonds

The Port finances its larger scale capital projects, addressing significant deferred maintenance and enhancing property, in part, through the issuance of debt. The Port's revenue bonds, secured by the net revenues of the Port as defined in the bond indenture, present an opportunity to accelerate the delivery of much-needed capital investments. Bond proceeds are used to fund new projects that offer a significant return on investment, as well as repair of critical infrastructure needed to sustain the Port's operating revenues and protect future bonding capacity.

Over the last five years, the Port has gone out to the capital markets on three separate occasions to raise funds for its capital program. In 2010 the Port issued \$36.7 million of revenue bonds, in 2013 the City issued \$37.7 million of Certificates of Participation (COPs) on behalf of the Port, (which the Port is responsible to repay), and in 2014 the Port issued \$22.7 million of revenue bonds.

The majority of the proceeds from these three debt issues have been expended or committed primarily for the construction of the new James R. Herman Cruise Terminal, rehabilitation of Piers 31 and 33, repairs and improvements to the Port's historic pier structures located in the Northern Waterfront, and for capital expenditures related to preparing venues for the 34th America's Cup regattas.

Port staff will periodically revisit its remaining debt capacity, based on then current projections of operating revenues and expenditures. When considering additional bond sales, it will be important to factor in the impact of increased debt service on the amount of funds available to pay for repair and replacement projects from operating revenues. Port staff will assess the trade-offs between pay-as-you-go and accelerated funding via bonds. This plan reserves any remaining bonding capacity for projects with early returns on investments that generate revenues in excess of the amount required to service debt costs. This approach is necessary for expanding sources for the repair and replacement capital budget, as well as for expanding the Port's bonding capacity in order to make future investments in maritime commerce projects. As no projects have been identified as ready for funding, this plan assumes no additional Port bond revenues over the next ten years. Port staff may revisit this assumption if the SWL 337 or Pier 70 waterfront site projects begin generating sufficient net revenues to fund improvements to the Port's historic finger piers (as anticipated by SB 815) in the next ten years.

A.3 Tenant Obligations

The Port has a number of properties that are under long-term leases (for example, a master tenant agreement of up to 66 years). Often, a condition of those leases is that the tenant assumes responsibility for maintenance and capital improvements to the property, including both the superstructure and substructure. The Port's asset database (FRRM) identifies the facilities where responsibility is assigned to Port tenants, and for those facilities, this plan assumes that those

tenants maintain the facility in a state-of-good-repair, according to the capital replacement schedule.¹¹ Over the next ten years, FRRM projects tenant obligations to be \$147.4 million.

B. Externally-Generated Funding Sources

For purposes of this year's plan, externally-generated funding sources represent those sources that require some form of partnership with an external party in order to be realized. Those partners may include developers, federal or state agencies, or other departments within the City and County of San Francisco. While partnerships often require considerably more effort to build and maintain, and are not entirely within Port's control, ultimately they have far greater potential in the long-term than traditional internally-generated sources. The plan of finance relies significantly on these sources to fund both state-of-good-repair and enhancement projects over its ten-year period. These sources include (1) development projects, (2) general obligation bonds, (3) grants, and (4) transferable development rights.

Together, this plan programs these sources as generating \$509.1 million, of which the Port will apply \$160.1 million (or 32 percent) to state-of-good-repair projects and \$349.0 million (or 68 percent) to enhancement projects.¹²

Externally-Generated Funding Sources	Repair (\$ millions)	Enhancement (\$ millions)	Total (\$ millions)
General Obligation Park Bonds	\$5.6	\$55.5	\$61.1
Federal & State Grants	0.4	24.8	25.2
Federal Railway Administration	0.0	2.8	2.8
US Army Corps of Engineers	27.5	0.0	27.5
Prop 1B, RM2 (DTFT)	7.6	89.8	97.4
Development Projects	119.0	176.1	295.1
Total	\$160.1	\$349.0	\$509.1

¹¹ The Port characterizes repairs for facilities where tenants have ten years or more left on their lease agreement as sourced to tenants, recognizing that short-term tenants are unlikely to make major capital investments with little time left to amortize those improvements.

¹² Enhancement projects include an estimated \$78.5 million in seismic work at Piers 30-32, Pier 48, Pier 70, and the Downtown Ferry Terminal expansion.

The sources and uses of externally-generated funds are illustrated below:

Figure 4 – External Funding Sources

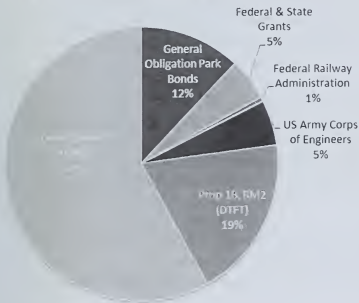
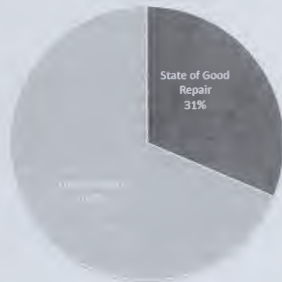


Figure 5 – Uses of External Funds



B.1 Legislative Program

The Port has adopted policies and pursued options to attract partners and external funding through an aggressive legislative program. The following is a summary of the results of recent legislative efforts:

- In 2005, the California Legislature adopted SB 1085 (Senator Carole Migden), permitting the Board of Supervisors to form Infrastructure Financing Districts (IFD) on Port property that allow the capture of growth in property (or possessory interest) tax increment to fund public improvements along the waterfront.
- In 2007, the California Legislature adopted SB 815 (Senator Carole Migden), authorizing the Port to lease certain seawall lots south of Market Street and north of Pier 50 for non-trust (i.e., commercial and residential) purposes, with net proceeds to fund rehabilitation of Port historic resources and parks required by the San Francisco Bay Conservation and Development Commission ("BCDC"). The largest of these is Seawall Lot 337 in Mission Bay, the site of the Port's current negotiations with Seawall Lot 337 Associates, LLC, to develop a new neighborhood south of AT&T Park.
- In 2010, the California Legislature adopted AB 1199 (Assemblymember Tom Ammiano), permitting the Port to establish a Pier 70 IFD that may issue debt repayable with both the local share of possessory interest tax and the state's share of possessory interest tax (permitted by AB 1199).
- In 2011, the California Legislature adopted AB 664 (Assemblymember Tom Ammiano), with technical amendments following in 2012 (AB 2259), authorizing the Port to capture

up to \$1 million annually in state tax revenue to fund the James R. Herman Cruise Terminal and related improvements, if the City demonstrates that the state will earn revenue in excess of this amount from the 34th America's Cup. This legislation applies to the following locations: SWL 330, and Piers 19, 23 and 29. The California Infrastructure Financing Bank (I-Bank) must first find that the net present value of tax benefits of the 34th America's Cup to the State of California exceeds the net present value of tax increment it would forego from these sites.

- In 2011, the California Legislature adopted AB 418 (Assemblymember Tom Ammiano) authorizing the California State Lands Commission to approve a trust swap with Pier 70, allowing the public trust designation of land within the site to be rationalized to allow for development. The Port is negotiating with Forest City California, Inc. to develop the 25 acre Waterfront Site at Pier 70. The Port is negotiating separately to develop the Port's historic buildings along 20th Street with Orton Development, Inc.
- In 2008, and again in 2012, San Francisco voters approved investments through issuance of general obligation bonds totaling \$68 million in the development of a network of waterfront parks from Fisherman's Wharf to Heron's Head Park adjacent to Pier 96.

B.2 Infrastructure Financing Districts

Building on the authority granted by state legislation and working with the San Francisco Board of Supervisors, the Port is now in the process of forming a second Port Infrastructure Financing District.¹³ Government Code Sections 53395 et seq. ("IFD Law") allow public agencies to finance public infrastructure improvements by capturing and bonding against property tax increment generated in the IFD after it is established. To do so, the public agency must follow a multi-step process that includes approval of a financing and infrastructure plan by the Board of Supervisors.

IFD Law was crafted to allow IFDs to function much like redevelopment project areas. In this regard, IFDs do not increase tax rates; rather, they rely on increases in the property tax base within the IFD. Like redevelopment, the fundamental justification for tax increment financing is the notion that but for public and private investment made possible by tax increment financing, development and the resulting property tax increases would not occur. In contrast to redevelopment law, the IFD Law does not require the public agency to make a finding of blight or require a set-aside of a portion of the tax increment for affordable housing (except when the projects to be financed through the IFD displace housing).

¹³ IFDs function in a manner similar to redevelopment, by allowing local jurisdictions to establish a geographical district within which all growth in property and possessory interest tax above an established base year (typically referred to as "tax increment") can be pledged to service debt on bonds issued to fund capital improvements of communitywide significance. Note that although this mechanism uses property tax increment, it does not rely on a redevelopment agency structure and is not impacted by the recent elimination of redevelopment agencies in California.

By Resolution 110-12, the Board of Supervisors adopted a Resolution of Intention to Establish an Infrastructure Financing District for the City and County of San Francisco (Infrastructure Financing District No. 2, the “District”) for multiple sites on Port property, including Seawall Lot (SWL) 330, Piers 30-32, Pier 26, Pier 28, Pier 48, and Pier 70. Resolution 227-12 amended the District to include SWL 351 as a project area.

Port staff will likely recommend removal of Piers 26 and 28 from the District, because these piers are no longer likely development sites. Concurrent with recommending a Disposition and Development Agreement for the proposed development of SWL 337 and Pier 48 in conjunction with the Port’s development partner, Port staff will recommend that the Board of Supervisors amend Resolution 227-12 to include SWL 337. Concurrent with recommending a Disposition and Development Agreement for the Pier 70 Waterfront Site, it is likely that Port staff will also recommend adding 3 acres of adjacent private property owned by Pacific Gas and Electric, Inc. to the Pier 70 project area.

As Port staff advances individual development projects, there will be an associated Infrastructure Finance Plan for the Board’s consideration as the next step in forming the District. The Finance Plan will include a detailed description of the development plan for each project area and specify the type of projects eligible for IFD monies and the estimated value of the tax increment over the life of the projects. The development projects currently being negotiated are summarized below.¹⁴

In 2013, the Board of Supervisors adopted Resolution 123-13, adopting Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land Under the Jurisdiction of the San Francisco Port Commission (Port IFD Guidelines). Consistent with IFD law applicable to the proposed Port IFD, proposed uses of the Port IFD proceeds can include:

- Repairs and upgrades to piers, docks and wharves and the Port’s seawall;
- Installation of piles, both to support piers and to support buildings where soil is subject to liquefaction;
- Parks and shoreline improvements, where the Port has been unable to secure General Obligation bond funding to fund new parks;
- Utility infrastructure, including utility requirements to comply with standards imposed by the Regional Water Quality Control Board and/or the Bay Area Air Quality Management District;
- Streets and sidewalks;
- Seismic upgrades and improvements to the City’s seawall and other measures to address sea level rise;
- Environmental remediation;

¹⁴ Each of the development projects is subject to ongoing real estate negotiations which include the allocation of IFD to infrastructure costs. When City staff publishes each project term sheet for public review and consideration by the Port Commission and the Board of Supervisors, City staff will publish more detailed cost information related to the use of IFD.

- Historic rehabilitation; and
- Improvements to Port maritime facilities.

The Port IFD Guidelines establish minimum criteria regarding the formation of IFD project areas on Port property. These guidelines can be found in Appendix C. IFD Law is the subject of frequent legislative action in wake of California's repeal of community redevelopment law. This year, Governor Jerry Brown has signaled his openness to amendments to IFD Law that would permit its use for affordable housing in addition to infrastructure and facilities of communitywide significance. If the Legislature enacts such a change (or similar changes), the Port and the Board of Supervisors may need to consider further amendments to the Port IFD Guidelines.

B.3 Development Projects

Since the 1970s, the Port's primary tool for redeveloping property has been public-private partnerships. In exchange for long-term leases (50-66 years) and other financial consideration (including rent credits, land value and IFD tax increment, for example), private developers assume much of the responsibility for rehabilitating and improving Port property for designated uses. This includes upgrades to meet current seismic building code requirements, repairs to adjoining segments of the seawall, and climate change adaptation improvements. The Port typically limits its contribution to development projects to existing facility improvements, along with Port staff, attorneys, and other consultants needed to coordinate and assist the developer. By engaging a development partner and allowing them to make a reasonable return on their investment, the Port is able to generate substantially more resources to address the Port's backlog of capital investment needs.

As noted in Table 2, development projects are forecast to be the largest financial source to address both state-of-good-repair (\$119 million) and enhancement (\$176.1 million) in the plan. The vast majority of enhancements that are contemplated are investments in new, publicly-owned parks and infrastructure, largely to support new neighborhoods planned at SWL 337 and Pier 70. A portion of expenditures on enhancements will also address seismic conditions.

The Port is engaged in an exclusive negotiations process with a private investor or partner in several project areas. The developers will make significant investments to rehabilitate and enhance these properties; however, the ten-year plan reflects only that portion of the investment necessary to repair or replace facilities to continue operating them for their current use, or for enhancements that benefit the general public. Funding for these projects may come from a number of both private and public sources; however, for purposes of this plan, all development project generated funds are shown on a single line item in Table 2.

Two of these projects (SWL 337 and Pier 70 Waterfront Site) involve proposed height increases that are likely to be subject to significant local debate. SWL 337 and the Pier 70 Waterfront Site are just starting the process of environmental review and urban design planning.

The teams working on these projects plan to entitle them within the current real estate market cycle. If any of the projects are not entitled within expected timeframes, Port staff will make corresponding adjustments to future capital plans.

Pier 70 Area: Pier 70 is located on San Francisco's Central Waterfront, an approximately 65-acre site, generally between 18th and 22nd Streets, east of Illinois Street. For over 150 years, some portion of the site has been in use for ship building and repair or steel production, as well as for other supporting heavy industrial uses. The Port completed an environmental investigation and risk assessment of the project area. Findings from the completed risk assessment do not indicate any immediate need for soil or groundwater remediation. Following a three-year community planning process, the Port Commission endorsed the Pier 70 Master Plan in May 2010. The Plan balances sustained ship repair, historic preservation, new waterfront parks and new development. It identifies over 3 million square feet of new building potential and 700,000 square feet of buildings to be rehabilitated. On April 17, 2014, the National Park Service approved the Port's nomination for the Union Iron Works Historic District at Pier 70 and listed the district in the National Register of Historic Places. Port staff continues to work with the State Lands Commission on public trust matters that impact the Pier 70 area.

The Port Commission authorized a developer solicitation for the Waterfront Site as well as a second solicitation for Historic Buildings:

Pier 70 Waterfront Site: Following a competitive process, the Port Commission selected Forest City California, Inc. as its development partner for the Waterfront Site and on July 12, 2011 authorized an ENA. This project area requires significant infrastructure investment and new land use approvals to redeploy a largely vacant portion of Pier 70 for new uses in new buildings. The ENA provides for a five-year period to develop plans for the project, negotiate required agreements, and secure required approvals. In May 2013, the Port Commission endorsed a non-binding term sheet describing the fundamental deal terms for the project. The Board of Supervisors, in June 2013, added its endorsement of the term sheet and, in accordance with Administrative Code, Chapter 29, determined the proposed development fiscally feasible. Negotiations between the Port and the developer continue on the transaction details and documents, including the ground leases, the development and disposition agreement and financing plans.

In response to Proposition B (June 2014), Forest City redesigned its development concept for the Waterfront Site and drafted and qualified Proposition F for voter consideration on the November 4, 2014 ballot. As described above, San Francisco voters approved Proposition F to increase site zoning from 40 to 90 feet, which is not higher than the tallest point at the tallest historic building already at this project site. Subject to all required public review processes, this initiative encourages a development project and sets policy direction for identified major uses and supporting infrastructure improvements. The measure sets forth major uses to include: (i) nine acres of waterfront parks, playgrounds and recreation opportunities on and adjacent to the Project Site; (ii) below market-rate homes, representing 30% of all new housing units; (iii) construction of between approximately 1,000 and 2,000 new housing units, a majority of which will be

rental homes; (iv) restoration and reuse of currently deteriorating historic structures essential to the creation of a new Union Iron Works Historic District; (v) substantial new and renovated space for arts, cultural, small-scale manufacturing, local retail and neighborhood services; (vi) preservation of the artist community currently located in the Noonan Building; (vii) between approximately 1,000,000 and 2,000,000 square feet of new commercial and office space (which is in addition to reuse of historic structures); and (viii) accessory parking facilities and other transportation infrastructure.

Forest City's development concept for the Waterfront Site is subject to review and approval under CEQA. Forest City has filed an environmental application for CEQA review which commenced in late 2014, with potential consideration of final transaction documents and a Waterfront Site Special Use District by the Port Commission, the Planning Commission and the Board of Supervisors in 2016.

20th Street Historic Buildings: The 20th Street Historic Buildings are six buildings on or near 20th Street at Pier 70. These historic resources, some dating to the 1880s, are in need of substantial investment to return to active use. Following a competitive solicitation process, in May 2012, the Port entered into an exclusive negotiations agreement with Orton Development Inc. for a public/private partnership to rehabilitate these buildings. In September 2014, the project's Lease Disposition and Development Agreement ("LDDA") was executed. The LDDA is the document that describes the obligations of each party to implement the rehabilitation project including a detailed schedule of performance describing a phased construction schedule.

The Port and Orton Development expect to close escrow and execute a lease to convey the site to Orton in 2015. In total, these buildings have over 250,000 square feet of building space with potential in some cases, for additional mezzanine construction. The current capital cost estimate is \$76 million. The Port will contribute \$1.5 million to the project (repositioning funds previously committed to a temporary shoring of one of the buildings). Orton will invest up to \$14 million of equity in the project and secure the remainder of the funding from leasehold mortgage, historic tax credit investors and a Seismic Safety Loan administered by the Mayor's Office of Housing and Community Development. The Port defers its rent from the project until Orton's equity investment is repaid.

BAE Ship Repair: The BAE Ship Repair leasehold is 15.1 acres of leasable land and 17.4 acres of leasable water on the northeastern edge of Piers 68 and 70. It includes 19 buildings, six functional cranes, and two floating drydocks. It is under a lease to BAE generating approximately \$1.8 million dollars in annual revenues to the Port. A capital improvement plan is being developed for further improvements to infrastructure that will sustain the Ship Repair facility for the next 25 years. These improvements will be reflected in future capital plans upon completion of negotiations with BAE.

Seawall Lot 337 & Pier 48: In September 2010, following a one-year community planning and developer selection process, the Port entered into an exclusive negotiation agreement (ENA)

with Seawall Lot 337 Associates, LLC (an affiliate of the San Francisco Giants) for the mixed-use development of Seawall Lot 337 (SWL 337) and the adjacent Pier 48. Pursuant to the ENA, the developer submitted its Revised Proposal in March 2012 which contemplates a flexible mixed-use development at the site balancing residential, office, retail, exhibition and parking uses distributed over a network of city blocks – with expectation that the combination of uses will evolve to meet market demands and to reflect community and regulatory concerns, and be responsive to certain requirements to ensure mixed-use diversity.

In March 2013, the Port Commission endorsed a non-binding term sheet describing the fundamental negotiated elements and proposed financial terms for the lease and development of the project site and, in May 2013, the Board of Supervisors added its endorsement of the term sheet and also found the proposed development to be fiscally feasible under Administrative Code, Chapter 29. Following these approvals, the ENA allows the developer three years to complete the project entitlement process. The total cost of the project, as planned, is estimated at \$1.8 billion.

The project team is pursuing project entitlements including a thorough environmental review in accordance with the California Environmental Quality Act ("CEQA"). The Port anticipates that this project could generate new lease revenues and result in higher property values. The project schedule previously anticipated completing the CEQA process and gaining project approvals in early 2015 with lease payments commencing on sub parcels beginning in 2016. However, Proposition B (June 2014) requires voter approval of the height increases required for the project, as proposed (per the non-binding terms endorsed by the Port and City). In light of Proposition B, Seawall Lot 337 Associates, LLC is re-examining the proposed heights and density with the expectation that the Project would be presented to the voters for approval on a future ballot.

8 Washington/Seawall Lot 351: This two-thirds of an acre site is currently a surface parking lot located along the Ferry Building waterfront at The Embarcadero and Washington Street. It is to be merged with the adjacent 2½ acre tennis and swim club property in a \$345 million residential-commercial development agreement between the Port and San Francisco Waterfront Partners ("SFWP"), including dedicated public parking for the Ferry Building area, improvements to approximately ½ acre of public open space and \$5 million in public funding for sidewalk widening and street furnishings recommended in the Northeast Embarcadero Study ("NES").

As described above, the approved project is the subject of a recently passed legislative referendum rescinding the increase in building height granted the development. SFWP, therefore, is considering its options to reevaluate the proposed development, including project funding structure. The Port is awaiting the developer's decision on proceeding with this project following its reevaluation.

Pier 38 Bulkhead Rehabilitation: Pursuant to Port Commission authorization, the Port issued a request for proposals ("RFP") for the Pier 38 Bulkhead in November 2012, seeking a development entity to rehabilitate the Pier 38 bulkhead building and limited shed improvements for re-occupancy in the near-term. Responses were received in March 2013 and the Port

Commission selected TMG Partners in December 2013. Lease negotiations consistent with the Port Commission's goal to expeditiously rehabilitate and re-tenant the bulkhead building are nearing completion. Under the proposed agreement, TMG would invest approximately \$7.2 million to correct code violations, improve public access and upgrade the float on the north side of the pier. The Port expects the lease to commence in 2015.

B.4 General Obligation Bonds

The Port Commission and Port staff remain grateful for the infusion of funding approved by voters to create waterfront open space through the 2008 and 2012 Clean and Safe Waterfront Parks General Obligation Bonds. The following bond-funded projects, totaling \$34.7 million are in various stages of conceptual development and permitting:

- **Crane Cove Park, Phase 1:** Crane Cove Park is an approximately 9 acre Blue Greenway waterfront park located in the Central Waterfront generally between 19th and Mariposa Streets east of Illinois Street. Initial park concepts include shoreline cleanup and stabilization, restoration of historic cranes, historic interpretation, bay access, and a facility for human powered boats. The total cost for the entire project is expected to be \$45 million dollars, which is greater than the current available funding. As a result, the project will be phased as funding is secured. Available funding for the 1st phase of the project is \$23.3 million, including (a) \$10 million from 2008 Clean and Safe Neighborhood Park G.O. Bonds, (b) \$10 million from 2012 Clean and Safe Neighborhood Parks G.O. Bonds, (c) \$1 million from grants from the Metropolitan Transportation Commission and California Coastal Conservancy, and (d) \$3.3 million in other Port funds.

This Blue Greenway Project benefits from significant planning conducted through the development of the Port's Pier 70 Preferred Master Plan and the Blue Greenway Planning and Design Guidelines community planning process. The Park Master Plan and Schematic Design were approved by the City's Waterfront Design Advisory Committee and the BCDC Design Review Board in July 2014. Phase 1 of the project, comprising approximately 5 acres, will start construction in 2016 and is expected to be complete by 2017.

- **Bayview Gateway:** The \$3.9 million Bayview Gateway Project will create a new one acre public open space along the southern bank of Islais Creek in San Francisco's southeast waterfront. The project site is bound by Islais Creek on the north, Cargo Way on the south, 3rd Street on the west, and Illinois Street on the east. The project will demolish the existing timber wharf, rehabilitate the seawall, and transform the asphalt lot into a public park with walkways, plaza spaces and green spaces from which to enjoy the Bay. In addition, the project will serve as both a gateway to and an amenity for the Bayview neighborhood. The project is under construction, and is expected to be completed in 2015.

- **Agua Vista Park:** The \$2.5 million 20,000 square foot Aqua Vista park within 2,000 linear feet of shoreline access will be renovated and connected to the recently improved edge of Bayfront Park (with 2008 Neighborhood Parks bond proceeds). When completed, Aqua Vista Park and the future Bayfront Park combined are expected to include 2,000 linear feet of new shoreline access, continuous walking and bike paths, and dramatic views of ships being worked on at the Pier 70 ship yard and dry dock. Improvements may include new pathways, seating areas, interpretation and fishing facility improvements. Aqua Vista is a waterfront park at the southern edge of Mission Bay located on Terry Francois Boulevard at 16th Street that was originally improved in the 1970s. The project is expected to be completed in 2017.
- **Islais Creek Improvements:** The Islais Creek Shoreline Access improvement project is expected to complete the pathway system along the northern shore of Islais Creek from I-280 to Illinois Street. New public access would connect the Islais Creek Promenade at Tennessee Street to the historic Third Street Bridge. Improvements budgeted at \$2 million are expected to include a new waterfront walkway and scenic look out points. This site currently is partially unimproved, but improvements would close a gap in the Islais Creek system of open spaces, the Blue Greenway, and Bay Trail. The project is expected to be completed in 2017.
- **Warm Water Cove Park:** This existing 2 acre park is located along the bay's edge. Currently, it has a walking path, sitting areas, and native shoreline plantings. This park is expected to be renovated and expanded as a bay-side open space for gathering, walking, picnicking and historic interpretation, at a cost of \$1.5 million. Originally improved in the 1970s, the park is in need of new plantings, site furnishings, pathways and lighting. The park also is expected to be expanded to connect with 25th Street to close a gap in the Blue Greenway and San Francisco Bay Trail network. The project is expected to be completed in 2017.
- **Fisherman's Wharf Plaza:** The Port and the San Francisco Bay Conservation and Development Commission are conducting a community planning process to define improvements for a public plaza in Fisherman's Wharf. Improvements will complement the existing Pier 43 Bay Trail Promenade. The area will offer places to sit, picnic or stroll, along with dramatic views of the historic Pier 43 Ferry Arch and Alcatraz Island. The \$1.5 million plaza will be in the heart of Fisherman's Wharf, connecting and expanding upon shoreline open space.

B.5 Grants, Direct Appropriations and Other Funding Sources

As part of the plan of finance for the Port's capital requirements, Port staff is working with local, state, and federal governments and organizations to identify and secure grants and other contributions. Table 2 above lists several sources of funding that will support both state-of-good-repair and enhancement projects.

- **U.S. Department of Transportation, Federal Railway Administration** – In 2012 the Port was awarded \$3 million to improve reliability and efficiency of rail movement through

track and switching upgrades to the Port's primary rail spur, the Quint Street Lead. The award is strategically important for the Port, as it supports the larger goal of (and is a necessary component to) creating a robust export terminal at Pier 96 serviced by six-axle locomotives. The project assumes iron ore as the export commodity, with appropriate weight capacity and resiliency built in to associated infrastructure improvements. The remaining \$3.8 million in funding (which includes \$1 million in additional Port capital funds allocated by this year's proposed supplemental appropriation) will be expended by the Port in FY2016.

- *USACE, Continuing Authorities Program Section 107, Central Basin Dredging* – The Central Basin is the approach to the Pier 70 Shipyard's primary drydock facility. Dredging of this area is critical to operations of the shipyard. While the drydock itself is the largest privately operated repair facility of its kind on the west coast of the Americas, the increasingly restrictive siltation in the Central Basin is limiting the number and type of vessels that can access it. In September 2009, the Port requested dredging assistance from the Army Corps under Continuing Authorities Program Section 107. A 35' depth Central Basin dredge project has been approved and is scheduled for construction in 2016. The Army Corps will provide up to \$10 million in federal funding, which is 63 percent of the \$15.8 million estimated cost of the dredge project. The Port's proposed supplemental appropriation for this year includes \$2.9 million and BAE will provide \$2.9 million to fund the project, providing for a \$5.8 million local match. After this initial dredge, the Army Corps will then assume all costs for future dredging of the Central Basin, which will require several million dollars of federal funding every decade..
- *USACE, Water Resources Development Act of 2007 (WRDA07)* – In 2006, Port staff worked with Mayor Gavin Newsom's Office to successfully petition the Office of House of Representatives Speaker Nancy Pelosi to carry a new bill for federal authorization of a number of the Port's facilities. WRDA07 was approved by Congress and, in Section 5051 authorizes USACE, in cooperation with the Port of San Francisco, to seek appropriation of \$25 million for "...repair and removal, as appropriate, of Piers 30-32, 35, 36, 70 (including Wharves 7 and 8), and 80 in San Francisco, California, substantially in accordance with the Port's redevelopment plan." In 2011, Congress appropriated \$4.8 million of this authorization for removal of Pier 36, leaving \$20.2 million in authorization remaining. All funding from this source requires a 2:1 match from the Port. The Port has traditionally been the only City department with projects eligible for funding from the Army Corps.

In 2008 Congress placed a hold on project-based authorization, determining them to be "earmarks." As of the writing of this plan, the United States Congress continues to operate under a two-year moratorium on congressionally directed spending, i.e., direct "project" funding. However, because this moratorium has a differential impact across funding sources – in particular, the budget for the USACE is more affected than others – there is a great deal of speculation that the definition of "earmark" may be revised. The Capital Plan assumes that the remaining authorization of \$20.2 million will be appropriated in the FY2020-24 period.

- ***Department of Homeland Security, Port Security Grants*** – Since 2007, the Port’s Homeland Security Division has applied for and been awarded over \$28 million in State and Federal Port Security grant Programs. Over the next five years, the Port plans to apply for an additional \$6.3 million in federal funding provided by FEMA under the PSGP (Port Security Grant Program). PSGP funding will provide enhanced security capabilities, establish boundaries, and provide controlled access where required and authorized, as well as enhance threat detection and prevention, and increase security measures for berth and passenger terminals that are consistent with Department of Homeland Security and United States Coast Guard requirements. It is expected that FEMA will continue to require a 25 percent match, which the Port will provide from the capital budget. Individual security projects may include lighting, high security fencing, closed-circuit television (CCTV) cameras, intrusion detection systems, and vessels.
- ***San Francisco Bay Area Water Emergency Transportation Authority (WETA)*** – WETA is proposing to utilize federal and state funding to support a two-phased project to improve the Downtown Ferry Terminal (DTFT) at the San Francisco Ferry Building. WETA and the Port have entered into a Memorandum of Understanding (MOU) to undertake a coordinated planning effort for the DTFT expansion project in accordance with the Port’s objectives for stewardship of the San Francisco waterfront and WETA’s mission to provide ferry service and emergency operations. The project would expand the number of ferry gates, improve pedestrian circulation and ferry patron boarding, and enhance emergency response capabilities to evacuate people from San Francisco in the event of a major catastrophic event. The remaining work in the project plan includes funding from state and local sources, including California Proposition 1B, Proposition K (½ cent sales tax) and RM2 (bridge tolls) and addresses \$7.6 million in state-of-good-repair and \$2.1 million in seismic needs.
The Water Emergency Transportation Authority (“WETA”) is now pursuing Phase 2 of the Downtown Ferry Terminal to add up to three new ferry gates, weather-protected areas for queuing, and a new public plaza between the Ferry Building and the Agriculture Building, which also will support emergency staging and evacuation in the event of a major catastrophe. Construction of Phase 2, at an estimated cost of \$97 million, is expected to begin in 2016 and be completed by 2020.
- ***Environmental Clean-up and Open Space Projects*** – As part of a settlement agreement with the Cosco Busan following a collision with the Bay Bridge in 2012, the Port and Department of Recreation and Parks were awarded \$1.37 million in funding to be used for environmental clean-up and open space projects. The Port will use its \$685,000 share of the award to stabilize the shoreline at the future site of Crane Cove Park in the Port’s Pier 70 area.
- ***California Coastal Conservancy Grant*** – The California Coastal Conservancy has awarded the Port \$620,000 for repair to the Port’s historic Copra Crane, and for related removal of portions of Pier 84. The Copra Crane, operated by Longshoremen, was last utilized in 1974 to remove copra (dried coconut) imported from the Philippines from cargo vessels. It is an important part of Port labor history, as it is the last remnant of

manually operated machinery for loading and unloading cargo on the San Francisco waterfront.

Table 2 lists several additional sources of funding that the Port staff has identified, but not yet secured, that could contribute significantly to future capital plans. Staff will make a concerted effort to realize these funding sources.

- *City Match to USACE WRDA 2020, Seawall Repair* – Though WRDA legislation is intended to be biennial, as a matter of practice these new authorizations are passed into law much less frequently. For the next WRDA, Port staff will submit language to amend the Port's existing WRDA07 authorization to increase the amount of funding authorized, and to make eligible appropriations for seawall construction or repair and removal of derelict pilings. This Authorization assumes a conservative estimate of \$60 million for a comprehensive rehabilitation and modernization of the San Francisco seawall. The USACE share of this project would be two-thirds, or \$40 million. The balance of funds, or local match for the seawall rehabilitation described above, is one-third, or \$20 million. Because this capital requirement is so high relative to the Port's capital budget, and because the beneficiaries of this project extend far beyond the Port, the plan assumes that financing for the local share of the project would come from a general fund source that recognizes its City-wide benefit.

B.6 Transferrable Development Rights

Each of the pier sheds and associated bulkhead buildings on the Port's historic finger piers are collectively recognized as part of the Embarcadero Waterfront Historic District listed on the National Register of Historic Places. Any alteration or historic rehabilitation undertaken for these resources is required under Port Commission policy to comply with U.S. Secretary of the Interior Standards for Historic Rehabilitation (Secretary Standards). The Port has relied on the Federal Historic Tax Credit Program as one essential financing tool to assist in paying for the high cost of rehabilitation to meet the Secretary Standards. However, given the age of the piers and increasing costs of repair, structural and/or seismic interventions necessary to meet current codes, other financing strategies are required to save these historic resources and continue the Port's waterfront revitalization efforts.

The Port has initiated discussions with the Board of Supervisors, Planning Department, San Francisco Architectural Heritage and other preservation stakeholders to consider allowing the City's Transfer of Development Rights (TDR) program to be applied to historic rehabilitation projects defined by the Port Commission that would rehabilitate historic resources in the Embarcadero Historic District. TDR is an historic preservation incentive tool that allows unused development air rights on sites containing recognized historic resources of public value to be sold and applied to other development "receptor" sites. The City's TDR program requirements and provisions are contained in the San Francisco Planning Code and administered by the San Francisco Planning Department. Any historic building that receives benefit from the TDR program would require that the allowable development of that site be reduced by the amount sold through the TDR program.

The Port sees TDR as an important financing tool that could generate significant funding to support historic rehabilitation costs of its historic pier resources, particularly at Piers 19, 23 and 29 in the Northern Waterfront.

In 2013, the Port participated with City Planning in a study of the current program to determine how the current TDR market is functioning and to what extent the addition of Port piers into the program would impact the existing market. The study concluded that there is some limited capacity in the local TDR market for addition of publicly-owned buildings, and that the City should remain open to the Port's proposal to use TDR for Piers 19, 23 and 29.

In 2013, the Planning Department and Capital Planning Committee endorsed the use of TDR for designated historic Civic Center Buildings including the War Memorial, only the second time in the history of the program that TDR has been used to help finance rehabilitation of publicly-owned historic buildings. The Planning Department and the Capital Planning Committee have determined that further use of TDR for publicly-owned buildings (including the Port's piers) should wait until market impacts of the War Memorial TDR allocation can be determined.

If the War Memorial allocation indicates that there is sufficient market demand to accommodate the Port's finger piers, the Board of Supervisors would have to adopt legislation authorizing the Port to participate in the TDR program. The Port has already succeeded in gaining State authorization to participate in the local TDR program through enactment of AB 2649 (Assemblymember Tom Ammiano).

VII. CONCLUSIONS

The Port's Ten-Year Capital Plan continues to evolve since its inception nine years ago. The Port has employed the information that the Plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and reconnect the City with its waterfront.

Since the first plan in 2006, the Port has used this document to guide a total in investment exceeding \$220 million in non-developer funding. Still, a persistent gap remains between the Port's available resources and its ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet. While the plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. The plan was integral to the Port's issuance of its revenue bonds as well as to the Port's preparations for the 34th America's Cup. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

As a road-map, the plan has enabled stronger application for federal grant funding, and stronger footing for inclusion in future City-sponsored general obligation bonds. The plan also served a vital role in supporting legislative changes to the Port's ability to develop Seawall Lot 337 and Pier 70 by securing tax increment to pay for public infrastructure investments in these proposed development project areas.

The Port's review of the Waterfront Land Use Plan highlighted that the Port is more unified with its waterfront than it has ever been, with industry, commerce and residence all existing in a harmony of contrasts. A South Beach resident might walk from her home to attend a San Francisco Giants game, and between innings, watch from her seat as one of the largest ships in the world is lifted out of the water for repair at the Port's Pier 70 shipyard. However united we are as a Port, we continue to need to grow in our connection with those away from the shore.

The controversy around height limits that so dominated discussion around the waterfront in 2014 changed the prism through which the Port must view development. With the passage of Proposition B, the community that is actively weighing in on the Port's development is no longer nearby and neighborhood in character, but rather an entire City of civic-minded voters. Moving forward, the Port must be ever mindful of the larger presence our work has in the San Francisco consciousness.

The next big capital planning challenge for the Port is to involve sister City agencies and regulatory partners in examining the Port's 100-year-old seawall to address its structural stability facing both a seismic event and future sea level rise. The long-range improvements to the City's seawall and marginal wharf will require a coordinated planning and funding strategy that will need to be reflected in future updates of the Port's Capital Plan.

Finally, the preliminary success of the Port-BCDC planning study and the Port's desire to reposition its northern waterfront piers for different uses through a public process underscore the need for strong public outreach and comprehensive planning. The Port must always take care to

ensure that there is a strong local and regional public consensus regarding the future of one of the most beautiful public waterfronts in the world.

APPENDIX A – Ten-Year Capital Needs, By Facility

Definitions

Building Type: This is the fundamental structure type, where a ‘simple’ building is a warehouse or garage structure with limited subsystems, a ‘basic’ building is a standard commercial structure with appropriate subsystems, ‘small’ buildings are less than 5,000 square feet (and as such, the method for estimating costs for these structures is simplified), and a ‘pier’ is a pile supported over-water foundation structure (as distinct from a shed building that sit atop a pier).

Backlog: The accumulation of all overdue needed repair work, as of year one of this Plan.

Ten-Year Renewals: Costs for replacing building subsystems that will reach the end of their life between year one and year ten of this plan.

One-Time Costs: Costs that are singular in nature, such as a seismic upgrade, as differentiated from the cyclical costs of replacing building subsystems at the end of their lifetime (e.g., many roofs at the Port are 30-year roofs, and as such, are on a 30-year replacement schedule).

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
000	Leased Piers	Port Wide	\$0	\$46,664	\$0	\$46,664
0000	Equipment	BASIC	\$0	\$0	\$10,664	\$10,664
0000	Port-wide Projects	Port Wide	\$0	\$324,482	\$208,220	\$532,702
1001	Downtown Ferry Terminal	BASIC	\$760	\$0	\$2,621	\$3,381
1010	Pier 1	Piers	\$0	\$88	\$0	\$88
1010	Pier 1 - Office Building	BASIC	\$0	\$3,481	\$0	\$3,481
1015	Pier 1 1/2	Piers	\$0	\$0	\$0	\$0
1015	Pier 1 1/2 - Bulkhead/Shed Building	BASIC	\$0	\$467	\$0	\$467
1020	Pier 2	Piers	\$4,631	\$0	\$2,210	\$6,841
1030	Pier 3	Piers	\$8,476	\$0	\$6,558	\$15,034
1030	Pier 3 - Bulkhead/Shed Building	BASIC	\$0	\$754	\$0	\$754
1050	Pier 5	Piers	\$0	\$0	\$0	\$0
1055	Pier 5 1/2 - Bulkhead Building	BASIC	\$0	\$553	\$0	\$553
1070	Pier 7 Public Pier	Piers	\$0	\$0	\$0	\$0
1075	Pier 7 - The Waterfront Restaurant	BASIC	\$319	\$113	\$178	\$609
1075	Pier 7 1/2	Piers	\$0	\$0	\$0	\$0
1090	Pier 9	Piers	\$12,724	\$0	\$10,590	\$23,314
1090	Pier 9 Bulkhead/Shed Building	BASIC	\$9,580	\$7,044	\$3,780	\$20,404
1095	Pier 9 1/2	Piers	\$835	\$0	\$687	\$1,522
1140	Pier 14 (Public Pier)	Piers	\$0	\$0	\$0	\$0
1150	Pier 15	Piers	\$141	\$0	\$0	\$141
1150	Pier 15 - Bulkhead/Shed Building (contains trailer)	SIMPLE	\$3,239	\$597	\$4,098	\$7,934
1155	Pier 15/17 - Office on Marginal Wharf	SMALL	\$0	\$0	\$0	\$0
1155	Pier 15/17 Valley - demolition	Piers	\$9,527	\$0	\$0	\$9,527
1170	Pier 17	Piers	\$105	\$0	\$0	\$105
1170	Pier 17 - Shed Building	SIMPLE	\$3,350	\$883	\$3,439	\$7,672
1175	Pier 17 1/2	Piers	\$1,552	\$0	\$510	\$2,062

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
1190	Pier 19	Piers	\$4,415	\$0	\$6,850	\$11,265
1190	Pier 19 - Bulkhead/Shed Building	SIMPLE	\$1,416	\$179	\$2,882	\$4,477
1195	Pier 19 1/2	Piers	\$5,522	\$0	\$3,049	\$8,571
1195	Pier 19 1/2 - Bulkhead/Shed	SIMPLE	\$671	\$82	\$1,289	\$2,043
1225	Pier 22 1/2	Piers	\$2,483	\$0	\$1,074	\$3,557
1225	Pier 22 1/2 - Fire Station	BASIC	\$715	\$0	\$146	\$861
1225	Pier 22 1/2 - Maintenance / Recreation	SMALL	\$0	\$0	\$0	\$0
1230	Pier 23	Piers	\$6,557	\$0	\$10,870	\$17,427
1230	Pier 23 - Bulkhead/Shed Building	SIMPLE	\$666	\$0	\$2,956	\$3,622
1235	Pier 23 1/2	Piers	\$3,068	\$0	\$504	\$3,572
1235	Pier 23 1/2 Pier 23 Cafe	SMALL	\$0	\$0	\$0	\$0
1245	Pier 24 1/2	Piers	\$4,723	\$0	\$3,701	\$8,424
1245	Pier 24 1/2 -Bulkhead/Shed Building	SIMPLE	\$647	\$0	\$824	\$1,471
1260	Pier 26	Piers	\$16,147	\$0	\$16,224	\$32,371
1260	Pier 26 - Bulkhead/Shed	SIMPLE	\$3,141	\$2,349	\$3,786	\$9,276
1265	Pier 26 1/2	Piers	\$3,558	\$0	\$2,869	\$6,427
1265	Pier 26.5 - Bulkhead	BASIC	\$2,330	\$952	\$0	\$3,282
1270	Pier 27	Piers	\$0	\$0	\$0	\$0
1270	Pier 27 - Office Annex	SMALL	\$588	\$0	\$0	\$588
1280	Pier 28	Piers	\$10,371	\$0	\$15,303	\$25,674
1280	Pier 28 - Bulkhead/Shed Building	SIMPLE	\$2,465	\$405	\$2,266	\$5,136
1285	Pier 28 1/2	Piers	\$510	\$0	\$387	\$897
1285	Pier 28 1/2 - Hivive Restaurant	SMALL	\$216	\$0	\$0	\$216
1290	Pier 29	Piers	\$10,207	\$0	\$0	\$10,207
1290	Pier 29 - *Bulkhead/Shed Building	SIMPLE	\$0	\$0	\$4,564	\$4,564
1295	Pier 29 1/2	Piers	\$0	\$0	\$0	\$0
1295	Pier 29 1/2 - Bulkhead Building	SIMPLE	\$1,508	\$100	\$1,547	\$3,155
1310	Pier 31	Piers	\$5,132	\$0	\$17,408	\$22,540
1310	Pier 31 - Bulkhead/Shed Building	SIMPLE	\$3,145	\$1,446	\$2,801	\$7,393
1315	Pier 31 1/2	Piers	\$3,834	\$0	\$3,152	\$6,986
1320	Pier 30 and 32	Piers	\$43,903	\$295	\$57,582	\$101,780
1325	Pier 32 1/2 Marginal Wharf (Brannan St)	Piers	\$0	\$0	\$0	\$0
1330	Pier 33	Piers	\$6,801	\$0	\$11,337	\$18,138
1330	Pier 33 - Bulkhead/Shed Building	SIMPLE	\$2,055	\$1,951	\$2,620	\$6,625
1335	Pier 33 1/2	Piers	\$0	\$0	\$495	\$495
1335	Pier 33 1/2 - Bulkhead Building	BASIC	\$114	\$0	\$0	\$114
1345	Pier 34 1/2 Marginal Wharf	Piers	\$0	\$0	\$0	\$0
1350	Pier 35 - Bulkhead/Shed Building	BASIC	\$5,801	\$13,836	\$5,372	\$25,008
1350	Pier 35 Cruise Terminal	Piers	\$42,791	\$274	\$10,031	\$53,095
1355	Pier 35 1/2	Piers	\$0	\$0	\$5,402	\$5,402
1380	Pier 38	Piers	\$19,106	\$0	\$16,933	\$36,039
1380	Pier 38 - Bulkhead/Shed Building	SIMPLE	\$411	\$1,850	\$3,269	\$5,531
1385	Pier 38 1/2	Piers	\$656	\$0	\$539	\$1,195
1390	Pier 39	Piers	\$0	\$0	\$0	\$0
1390	Pier 39 - Retail Shops	BASIC	\$4,337	\$4,879	\$7,699	\$16,915
1390	Pier 39 - Underwater World	BASIC	\$313	\$854	\$0	\$1,167
1395	Pier 39 1/2 Marginal Wharf	Piers	\$0	\$0	\$0	\$0
1400	Pier 40	Piers	\$5,487	\$0	\$10,887	\$16,374

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
1400	Pier 40 - Shed Building	SIMPLE	\$274	\$728	\$1,353	\$2,356
1400	Pier 40 Restaurant & Robert Steck Chandlery	BASIC	\$55	\$228	\$235	\$519
1405	Pier 40 1/2 (S Beach Harbor Wharf)	Piers	\$2,899	\$0	\$477	\$3,376
1405	Pier 40 1/2 - Java House	SMALL	\$0	\$0	\$0	\$0
1410	Pier 41	Piers	\$0	\$0	\$3,376	\$3,376
1415	Pier 41 1/2	Piers	\$2,195	\$0	\$0	\$2,195
1415	Pier 41 1/2 - Blue & Gold Bldg.	BASIC	\$0	\$1,359	\$435	\$1,794
1430	Pier 43	Piers	\$0	\$0	\$316	\$316
1430	Pier 43 - Arch	SMALL	\$248	\$0	\$0	\$248
1435	Pier 43 1/2	Piers	\$0	\$0	\$0	\$0
1435	Pier 43 1/2 - Franciscan Restaurant	BASIC	\$659	\$267	\$421	\$1,347
1435	Pier 43 1/2 - Red & White Tours	SMALL	\$0	\$35	\$0	\$35
1450	Pier 45	Piers	\$1,130	\$2,696	\$0	\$3,825
1450	Pier 45 - Shed A	SIMPLE	\$732	\$1,447	\$2,133	\$4,312
1450	Pier 45 - Shed B	SIMPLE	\$736	\$1,455	\$2,145	\$4,336
1450	Pier 45 - Shed C	SIMPLE	\$1,033	\$1,210	\$2,184	\$4,427
1450	Pier 45 - Shed D	SIMPLE	\$728	\$1,252	\$1,937	\$3,916
1461	Pier 46B China Basin Ferry Terminal	Piers	\$958	\$0	\$0	\$958
1470	Pier 47 - Guardino's Storage Bldg	SMALL	\$0	\$64	\$0	\$64
1470	Pier 47 - Scoma / Fish Prep Bldg	SMALL	\$0	\$0	\$0	\$0
1470	Pier 47 - Scoma Storage Bldg	SMALL	\$0	\$103	\$0	\$103
1470	Pier 47 - Scoma's Restaurant	BASIC	\$387	\$1,221	\$365	\$1,973
1470	Pier 47 - Scoma's Storage Shed	SMALL	\$0	\$0	\$0	\$0
1470	Pier 47 - Wharf J6, J7, J8	Piers	\$1,963	\$0	\$4,565	\$6,528
1470	Pier 47 WF Albert Seafoods Proc Bldg	SIMPLE	\$143	\$92	\$192	\$427
1480	Pier 48	Piers	\$10,461	\$0	\$1,598	\$12,059
1480	Pier 48 - Shed A	SIMPLE	\$2,031	\$443	\$0	\$2,474
1480	Pier 48 - Shed B	SIMPLE	\$2,086	\$455	\$0	\$2,542
1485	Pier 48 1/2 - Jelly's restaurant	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 - Alioto's Restaurant (Wharf J-1)	BASIC	\$0	\$436	\$355	\$791
1490	Pier 49 - Fisherman's Grotto No. 9 (Wharf J-1)	BASIC	\$0	\$678	\$552	\$1,230
1490	Pier 49 - Fisherman's Memorial Chapel	SMALL	\$0	\$166	\$0	\$166
1490	Pier 49 - Guardino's (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 - Sabella & LaTorre (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 - Tarantino's Restaurant (Wharf J-1)	BASIC	\$0	\$377	\$210	\$587
1490	Pier 49 - The Crab Station (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 Nicks Lighthouse (Wharf J-1)	SMALL	\$0	\$185	\$0	\$185
1490	Wharfs J-1 and J-3 (Pier 49)	Piers	\$0	\$906	\$3,485	\$4,391
1500	Pier 50	Piers	\$24,943	\$1,973	\$20,445	\$47,361
1500	Pier 50 - Shed A	SIMPLE	\$2,375	\$953	\$2,190	\$5,518
1500	Pier 50 - Shed B	SIMPLE	\$1,233	\$1,234	\$2,221	\$4,688
1500	Pier 50 - Shed C	SIMPLE	\$1,847	\$1,441	\$2,668	\$5,957
1500	Pier 50 - Shed D	SIMPLE	\$1,515	\$1,018	\$3,081	\$5,615
1505	Pier 50 1/2	Piers	\$0	\$0	\$393	\$393
1520	Pier 52	Piers	\$0	\$0	\$4,515	\$4,515

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
1540	Pier 54	Piers	\$27,870	\$0	\$9,374	\$37,244
1540	Pier 54 - Office Bldg	SMALL	\$554	\$0	\$0	\$554
1540	Pier 54 - Oil Shed	SMALL	\$132	\$0	\$0	\$132
1540	Pier 54 - Shed Building	SIMPLE	\$433	\$350	\$725	\$1,508
1540	Pier 54 - Storage Shed	SMALL	\$0	\$0	\$0	\$0
1600	Pier 60 - Wharf - wood piles	Piers	\$1,218	\$0	\$527	\$1,745
1620	Third Street Bridge House	SMALL	\$0	\$27	\$0	\$27
1640	Pier 64	Piers	\$3,010	\$0	\$300	\$3,310
1645	Pier 64 1/2 Kelly Mission Rock Resort Restnt	BASIC	\$0	\$460	\$0	\$460
1680	Pier 68	Piers	\$7,919	\$43,104	\$7,855	\$58,878
1680	Pier 70 - Pier 68 - Bathrooms Bldg. #141	SMALL	\$0	\$66	\$0	\$66
1680	Pier 70 - Pier 68 - Beth Street Substation #2, Bldg. #50	SMALL	\$0	\$0	\$9	\$9
1680	Pier 70 - Pier 68 - Beth Street Warehouse Bldg. #30	SMALL	\$0	\$0	\$70	\$70
1680	Pier 70 - Pier 68 - Blast Shed Bldg. #150	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Boiler/Steam Power House - #103	SMALL	\$308	\$0	\$241	\$549
1680	Pier 70 - Pier 68 - Building #149	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Cable/Electric Shop - Bldg. #38	SIMPLE	\$0	\$0	\$450	\$450
1680	Pier 70 - Pier 68 - Checkhouse #1, Bldg. #122	SMALL	\$0	\$0	\$197	\$197
1680	Pier 70 - Pier 68 - Checkhouse #2, Bldg. #123	SMALL	\$0	\$0	\$95	\$95
1680	Pier 70 - Pier 68 - Equipment Building #36	SIMPLE	\$352	\$48	\$2,732	\$3,132
1680	Pier 70 - Pier 68 - Machine Shop - Bldg. #105	SIMPLE	\$538	\$49	\$4,403	\$4,990
1680	Pier 70 - Pier 68 - near checkhouse #2, Building #51	SMALL	\$66	\$0	\$0	\$66
1680	Pier 70 - Pier 68 - Office Bldg (#127)	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Office Bldg Annex to #101, Bldg. #40	BASIC	\$0	\$0	\$177	\$177
1680	Pier 70 - Pier 68 - Office Building #101	BASIC	\$7,231	\$0	\$5,736	\$12,967
1680	Pier 70 - Pier 68 - Office Building #104	BASIC	\$4,568	\$0	\$5,127	\$9,695
1680	Pier 70 - Pier 68 - Office/Warehouse Bldg - Bldg #111	BASIC	\$6,397	\$1,447	\$11,695	\$19,539
1680	Pier 70 - Pier 68 - Ops. Bldg #102	BASIC	\$1,087	\$0	\$2,067	\$3,154
1680	Pier 70 - Pier 68 - Pipe Rack, Bldg. #120	SMALL	\$0	\$0	\$51	\$51
1680	Pier 70 - Pier 68 - Pipe Storage Bldg #107	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Sheet Metal/Tools Bldg #109	SIMPLE	\$1,488	\$803	\$2,210	\$4,500
1680	Pier 70 - Pier 68 - Shipwright Building -#108	BASIC	\$6,733	\$0	\$11,937	\$18,670
1680	Pier 70 - Pier 68 - Steel Shop Office (bldg #121)	SMALL	\$0	\$102	\$0	\$102
1680	Pier 70 - Pier 68 - Substation #4 (bldg #58)	SMALL	\$0	\$0	\$157	\$157

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
1680	Pier 70 - Pier 68 - Substation #6, Bldg. #64	SMALL	\$331	\$0	\$1,124	\$1,455
1680	Pier 70 - Pier 68 - Substation #7 (bldg #68)	SMALL	\$0	\$0	\$87	\$87
1680	Pier 70 - Pier 68 - Warehouse & 6-ton crane, Bldg. #49	SIMPLE	\$0	\$0	\$500	\$500
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #110	SMALL	\$0	\$0	\$1,000	\$1,000
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #119	SMALL	\$0	\$0	\$25	\$25
1700	Pier 70	Piers	\$55,359	\$0	\$49,864	\$105,223
1800	Pier 80	Piers	\$11,505	\$1,468	\$67,804	\$80,777
1800	Pier 80 - Entry Canopy	SIMPLE	\$270	\$0	\$325	\$595
1800	Pier 80 - Gear & Maintenance Building	SIMPLE	\$1,227	\$129	\$1,147	\$2,503
1800	Pier 80 - Office Bldg #2	SMALL	\$116	\$0	\$0	\$116
1800	Pier 80 - Service Building	SIMPLE	\$1,341	\$1,408	\$911	\$3,660
1800	Pier 80 - Shed A	SIMPLE	\$0	\$1,857	\$25,275	\$27,132
1800	Pier 80 - Shed D	SIMPLE	\$3,289	\$1,400	\$4,970	\$9,659
1800	Pier 80 - Terminal Office	SMALL	\$294	\$0	\$0	\$294
1800	Pier 80 Office Bldg #1	SMALL	\$116	\$0	\$0	\$116
1840	Copra Crane	BASIC	\$896	\$0	\$0	\$896
1900	Pier 90	Piers	\$11,737	\$0	\$0	\$11,737
1900	Pier 90 - Fire Department Building	BASIC	\$81	\$29	\$184	\$294
1900	Pier 90 - Maintenance Bldg	SMALL	\$0	\$0	\$0	\$0
1900	Pier 90 - Old Powerhouse	SMALL	\$0	\$0	\$0	\$0
1900	Pier 90 - Storage Bldg	SMALL	\$0	\$39	\$0	\$39
1900	Pier 90 - Truck Pits	SMALL	\$0	\$108	\$0	\$108
1920	Pier 92	Piers	\$4,483	\$0	\$0	\$4,483
1940	Pier 94 - 96 wharf area	Piers	\$5,582	\$0	\$8,387	\$13,969
1940	Pier 94 - Wharfside Building	SMALL	\$0	\$66	\$0	\$66
1960	Pier 96 - Administration Building	BASIC	\$1,147	\$633	\$457	\$2,236
1960	Pier 96 - Entry Canopy	SIMPLE	\$244	\$0	\$294	\$538
1960	Pier 96 - Exit Canopy	SIMPLE	\$145	\$0	\$174	\$319
1960	Pier 96 - Gatehouse Bldg	SMALL	\$0	\$240	\$0	\$240
1960	Pier 96 - Maintenance Building	BASIC	\$1,540	\$1,123	\$890	\$3,554
1960	Pier 96 - Office/Restroom	SMALL	\$0	\$0	\$0	\$0
1960	Pier 96 - Recycling/LASH Terminal	SIMPLE	\$2,626	\$4,865	\$5,483	\$12,974
1960	Pier 96 - Storage	SMALL	\$0	\$159	\$0	\$159
1960	Pier 96 - Truck Scales	SMALL	\$0	\$41	\$0	\$41
1980	Heron's Head Park	BASIC	\$0	\$0	\$226	\$226
2000	Fac. 2000 - Ferry Plaza	Piers	\$633	\$390	\$0	\$1,024
2500	Hyde Street Pier	Piers	\$0	\$0	\$0	\$0
2500	Hyde Street Pier - Storage Buildings (3)	SMALL	\$0	\$166	\$0	\$166
2505	Pier 50 Administration Building	BASIC	\$2,019	\$546	\$573	\$3,138
2740	Fac. 200 - World Trade Club Restaurant	BASIC	\$338	\$1,156	\$883	\$2,378
2750	Fac. 274-175 - Ferry Building Clock Tower	BASIC	\$0	\$484	\$360	\$844
2750	Fac. 274-275 Ferry Building	BASIC	\$0	\$12,995	\$8,772	\$21,767
2750	Ferry Building: Fac. 274 - 275	Piers	\$0	\$0	\$0	\$0

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
2770	Pier 2 – Sinbad's	BASIC	\$0	\$0	\$0	\$0
2780	Fac. 278 Agriculture Bldg Substructure	Piers	\$5,668	\$0	\$3,107	\$8,775
2780	Fac. 278 Agriculture Building	BASIC	\$3,729	\$288	\$652	\$4,669
2800	Pier 80 Administration Building	BASIC	\$4,874	\$1,450	\$2,309	\$8,633
3010	SWL 301 - Andre Boudin Pavilion	SMALL	\$0	\$0	\$0	\$0
3010	SWL 301 - Andre Boudin Restaurant	BASIC	\$0	\$460	\$0	\$460
	Street - Pier 47, Fish Alley, Al Scoma Way	Street	\$417	\$0	\$0	\$417
3020	SWL 302 - Alioto Fish Co.	BASIC	\$0	\$1,735	\$465	\$2,200
3020	SWL 302 - Castagnola/Storage Bldg	SMALL	\$0	\$142	\$0	\$142
3020	SWL 302 - Crab Boat Owners Asso.	BASIC	\$404	\$0	\$79	\$483
3020	SWL 302 - Firewood Cafe	BASIC	\$0	\$409	\$117	\$526
3020	SWL 302 - Pompei's Grotto	BASIC	\$0	\$324	\$121	\$445
3020	SWL 302 - Port Harbor Office	SMALL	\$0	\$63	\$0	\$63
3020	SWL 302 - Scoma's (Smoke House)	BASIC	\$0	\$177	\$141	\$318
	SWL 302 - United Shellfish Warehouse	SMALL	\$0	\$0	\$0	\$0
3020	SWL 302 Castagnola Rest.	BASIC	\$0	\$534	\$435	\$969
	SWL 302 Coast Marine Supply Mat. Storage Bldg	SIMPLE	\$0	\$485	\$615	\$1,100
3020	SWL 302 Costal Marine Retail Space	SMALL	\$0	\$301	\$0	\$301
3020	SWL 302 D&G Co. d.b.a. Lou Blues	SMALL	\$0	\$610	\$0	\$610
3020	SWL 302 Franks Fisherman Supply	BASIC	\$102	\$431	\$241	\$773
3020	SWL 302 Substructure (Wharf J-9)	Piers	\$5,833	\$0	\$2,055	\$7,888
3020	SWL 302 United Shellfish Processing	SIMPLE	\$0	\$45	\$50	\$95
3030	Street - Hyde Alley, Fish Alley	Street	\$309	\$0	\$0	\$309
3030	SWL 302 Cal Shell Fish Shed	SMALL	\$0	\$122	\$0	\$122
3030	SWL 303 - Alioto Fish Co.	BASIC	\$266	\$710	\$216	\$1,192
3030	SWL 303 - Cal Shell Fish	BASIC	\$156	\$172	\$144	\$472
3030	SWL 303 - Cioppino's/(Hoppe)	BASIC	\$0	\$748	\$336	\$1,084
3030	SWL 303 - Franceschi's Restaurant	BASIC	\$0	\$195	\$109	\$304
3030	SWL 303 - GP Resources	SMALL	\$34	\$0	\$0	\$34
3030	SWL 303 - SP Tarantino's/Martell Ins	SMALL	\$0	\$0	\$0	\$0
	SWL 303 - The Bay Company, Hoppe, Arthur N.	BASIC	\$0	\$439	\$245	\$684
3110	SWL 311 Pier 39 Garage	SIMPLE	\$0	\$942	\$7,121	\$8,063
3130	SWL 313 Embarcadero Triangle Lot Assn.	SIMPLE	\$0	\$428	\$3,376	\$3,804
3150	SWL 315 Office Building (HHC Investment limited)	BASIC	\$0	\$8,241	\$3,889	\$12,130
3160	SWL 316 Houston's Restaurant	BASIC	\$0	\$1,056	\$371	\$1,427
3170	SWL 317 Office Building	BASIC	\$0	\$9,047	\$4,268	\$13,315
3180	SWL 318 Roundhouse One	BASIC	\$367	\$923	\$592	\$1,882
3180	SWL 318 Roundhouse Two	BASIC	\$1,115	\$181	\$804	\$2,100
3180	SWL 318 Sandhouse	SMALL	\$0	\$238	\$0	\$238
3190	SWL 319 Fog City Diner	BASIC	\$0	\$163	\$137	\$300
3220	SWL 322 ABC TV	BASIC	\$0	\$6,341	\$4,984	\$11,325
3270	Epic Roasthouse	BASIC	\$0	\$149	\$0	\$149
3270	Waterbar Restaurant	BASIC	\$0	\$149	\$0	\$149
3310	SWL 331 & 332 Delancey Street Foundation	BASIC	\$0	\$6,007	\$4,820	\$10,827

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
3450	Pier 70 - SWL 345 - Kneass Boatworks, Main Office/boat storage	SIMPLE	\$0	\$0	\$1,862	\$1,862
3450	Pier 70 - SWL 345 - Kneass, Pier 66 Boatyard Office	SMALL	\$331	\$0	\$0	\$331
3450	SWL 345 - SF Boat Works Office/Shop	BASIC	\$206	\$275	\$227	\$708
3450	SWL 345 - SF Boat Works Storage/The Ramp	SIMPLE	\$175	\$24	\$188	\$387
3490	Pier 70 - SWL 349 - Auto Yard Shop Bldg #19	SIMPLE	\$211	\$0	\$1,243	\$1,454
3490	Pier 70 - SWL 349 - Beth Street Stress Relieving, Bldg. #16	SIMPLE	\$297	\$0	\$1,383	\$1,680
3490	Pier 70 - SWL 349 - Beth Street Warehouse, Bldg. #32	SIMPLE	\$384	\$0	\$1,704	\$2,088
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #24	SMALL	\$568	\$0	\$790	\$1,358
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #25	SMALL	\$0	\$247	\$60	\$307
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #29	SMALL	\$612	\$0	\$938	\$1,550
3490	Pier 70 - SWL 349 - Brass Foundry, Bldg. #115	SIMPLE	\$577	\$0	\$2,404	\$2,981
3490	Pier 70 - SWL 349 - Foundry, Bldg. #116	SIMPLE	\$577	\$0	\$5,184	\$5,761
3490	Pier 70 - SWL 349 - Test Room, Bldg. #23	SMALL	\$721	\$0	\$281	\$1,002
3490	Pier 70 - SWL 349 - UIW Machine Shop, Bldg. #114	SIMPLE	\$288	\$0	\$4,731	\$5,019
3490	Pier 70 - SWL 349 Building #6 (condemned)	SIMPLE	\$1,234	\$0	\$7,652	\$8,886
3490	Pier 70 - SWL 349 Equipment Bldg - Bldg #14	SIMPLE	\$517	\$0	\$2,531	\$3,048
3490	Pier 70 - SWL 349 Heavy Machine Shop - Bldg #113	SIMPLE	\$2,758	\$0	\$21,765	\$24,523
3490	Pier 70 - SWL 349 Office Building - Bldg. #11 Noonan	BASIC	\$0	\$0	\$531	\$531
3490	Pier 70 - SWL 349 SF Shipyard Training Bldg 117	SIMPLE	\$0	\$0	\$464	\$464
3490	Pier 70 - SWL 349 Shop Building - Bldg #21	SIMPLE	\$0	\$0	\$4,062	\$4,062
3490	Pier 70 - SWL 349 Traffic Department Bldg. #12 & #15	BASIC	\$0	\$0	\$33,321	\$33,321
3490	Pier 70 - SWL 349 Traffic Dept. Shed - Bldg #66	SIMPLE	\$734	\$0	\$649	\$1,383
3490	Pier 70 - SWL 349 Warehouse - Bldg.2	SIMPLE	\$0	\$0	\$18,395	\$18,395
3520	SWL 352 - Backlands Redevelopment Street - Hyde N of Jefferson to Hyde St Pier	BASIC	\$2,748	\$0	\$0	\$2,748
4001	Street - Jefferson from Leavenworth to Hyde	Street	\$250	\$0	\$0	\$250
4002	Street - R.H. Dana Dr. (Leavenworth)	Street	\$135	\$0	\$348	\$483
4003	N of Jefferson	Street	\$154	\$0	\$0	\$154
4004	Street - Jefferson btw Jones and Leavenworth	Street	\$130	\$0	\$0	\$130

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
4006	Street - Taylor Street btw. Jefferson and Embarcadero	Street	\$319	\$0	\$301	\$620
4008	Street - Embarcadero from Taylor to Powell	Street	\$0	\$586	\$0	\$586
4017	Street - Lombard btw Sansome and Embarcadero	Street	\$187	\$0	\$0	\$187
4020	Street - Green between Davis and Front	Street	\$175	\$0	\$0	\$175
4022	Street - Broadway btw Embarcadero & Vallejo	Street	\$527	\$0	\$0	\$527
4033	Street - T. Francois along China Basin	Street	\$525	\$0	\$0	\$525
4034	Street - T. Francois btw China Basin and Mission R	Street	\$5,494	\$0	\$0	\$5,494
4036	Street - 20th east of Illinois	Street	\$479	\$0	\$0	\$479
4038	Street - 24th from Michigan to Maryland	Street	\$667	\$410	\$596	\$1,673
4040	Street - Marin east of Michigan	Street	\$175	\$0	\$0	\$175
4041	Street - TN, IN, MN btw Tulare and Marin	Street	\$918	\$0	\$0	\$918
4043	Street - Amador and extension	Street	\$2,117	\$442	\$0	\$2,558
5470	Wharf J-4	Piers	\$0	\$0	\$0	\$0
5470H	Joint Operations Center / Hyde Harbor Office	SIMPLE	\$0	\$0	\$0	\$0
5470H	Wharf J-11	Piers	\$0	\$0	\$0	\$0
6020	Freight Yard - Intermodal Container Transfer Facility	Street	\$4,003	\$11,738	\$5,041	\$20,782
PORT TOTAL			\$569,376	\$570,186	\$956,320	\$2,095,883

APPENDIX B - Allocation Strategy for Port Capital Funds

The Port's process for allocating its own limited capital funding involves a series of meetings with designated representatives from each of the Port's seven Divisions – the Capital Projects Working Group ("CP Group"). The CP Group developed the Port's evaluation criteria for capital projects, and weighting for each criterion. Annually, the CP Group allocates a total score to each capital project proposed by Port staff.

These first set of criteria address public safety concerns and conformance with the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969, and are scored as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
Does the project address a code or regulatory issue?	20
Does the project significantly reduce liability to the Port?	15
Does the project promote maritime commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The review process also employs two complimentary ways of scoring capital projects that would bring in additional revenue and/or reduce operating costs, the first intended to capture the efficiency of the investment, the second the scale of the financial impact:

What is the payback period, if 10 years or less?	10
What is the total ten-year financial benefit to the Port?	20

Where a project would pay for itself in 10 years, that project was scored by subtracting the payback period, in years, from 11. For example, a project with a payback period of three years would score 8 points in this category.

To determine the score assigned for the ten-year financial benefit, the CP Group took the real benefits, as recorded in dollars, and then considered the distribution of all the values returned for projects at the end of the review process. The results were a rather even distribution, which made appropriate a simple method of scaling, where a project received 1 point for every \$500,000 worth of benefit within the ten-year period. For example, a \$4 million project that would generate \$1 million per year in new revenues would score 12 points in this category $[(\$10 \text{ million} - \$4 \text{ million}) / \$500,000]$.

Finally, Port staff reviewed all projects to determine if they fell into one or more of the four major categories listed below. The CP Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

Prioritization Category

- Is the project required to address an emergency, defined as an immediate threat to human health or the environment?
- Is the project legally mandated by a regulatory order or legal judgment?

- Is the project substantially matched by outside funding sources?

De-prioritization Category

- Is the project non-revenue generating and does it have less than 25% in outside matching funds?

The project review process concludes with a proposed programming of Port capital funds over two years based on the above evaluation, which becomes the Port's two-year capital budget. For the remaining years of the ten-year capital plan, expenditures are assumed to be proportional to the categories funded in the two-year budget.

APPENDIX C – Criteria for Formation of Port IFD Project Areas

The Port IFD Guidelines establish the following minimum criteria regarding the formation of IFD project areas on Port property:

1. **Port land.** Consistent with the IFD law, the Port IFD may initially be formed only with Port land.
2. **Annexing non-Port land.** If an owner of non-Port land petitions to add adjacent property to a waterfront district in accordance with the IFD law, the City will consider on a case-by-case basis whether to annex such property and to what extent tax increment generated in the non-Port land but not used for waterfront district infrastructure should be subject to the City IFD Guidelines.
3. **CEQA.** Although the City may initially form the Port IFD to include all of the Port land, neither the Port IFD nor any project-specific project area will be authorized to use property tax increment until the City has completed environmental review of the proposed development project and any proposed public facilities to be financed with property tax increment from the project area.
4. **Priority of improvements.** Waterfront districts must finance improvements that are consistent with the IFD law, the Port's then-applicable Waterfront Land Use Plan, the Public Trust (if constructed on trust property), and the Port's 10-Year Capital Plan.
5. **Economic benefit.** The Infrastructure Financing Plan ("IFP") developed for the Port IFD will include a projection for each project area/waterfront district of the amount of total revenue that the City's General Fund is projected to receive as a result of the proposed development project and the number of jobs and other economic development benefits the waterfront district is projected to produce, similar to the type of analysis that City staff and consultants perform to comply with Chapter 29 of the Administrative Code to determine that projects requiring public funding are fiscally feasible and responsible.
6. **State and City matching contributions.** In those cases where the IFD Law authorizes the allocation of the State's share of property tax increment to a waterfront district in proportion to the City's allocation of tax increment to the waterfront district, the City will allocate to the waterfront district the amount of tax increment that will maximize the amount of the State's tax increment that is available to fund eligible projects in the waterfront district.
7. **Amount of increment allocated.** The waterfront districts will fund eligible waterfront improvements necessary for each proposed development project in an amount up to \$0.65 per property tax dollar, or, where permitted by State law, up to \$0.90 per property tax dollar, until the costs of required infrastructure are fully paid or reimbursed. The allocation should be sufficient to enable the Port to (a) obtain fair market rent for Port leases, and (b) enable proposed development projects to attract private equity. No

increment will be used to pay a developer's return. The Board of Supervisors in its discretion may allocate additional increment to other waterfront projects that require funding. Increment will be disbursed to the project area to fund (a) debt service and debt service coverage for bonds issued under the Mello-Roos Act ("Community Facilities District Bonds" or "CFD Bonds") or IFD bonds, and/or (b) eligible costs on a pay-as-you-go basis.¹⁵

8. **Excess increment.** Tax increment not required to fund eligible project-specific infrastructure will be allocated to the City's General Fund or to improvements to the City's seawall and measures to protect against sea level rise.
9. **Port annual capital program.** If the Port issues Port revenue bonds¹⁶ repaid by tax increment revenue generated in one or more waterfront districts, to further the purposes of Port Commission Resolution No. 12-22, adopting the Port's Policy for Funding Capital Budget Expenditures, the Port will annually invest in its annual Capital Program any tax increment revenue allocated to the waterfront district for the purpose of providing debt service coverage on Port revenue bond debt payable from tax increment.
10. **Funding for infrastructure maintenance.** Tax increment will be allocated to the Port IFD from a waterfront district only when the Port has identified a source of funding for the maintenance of any infrastructure to be financed. This source could be in the form of: (a) private financing mechanisms, such as a homeowners' association assessment; (b) a supplemental special tax (such as a community facilities district formed under the Mello-Roos Act) or assessment district (such as a community benefit district); or (c) the Port's maintenance budget or other allocation of the Port Harbor Fund.

¹⁵ For example, one vehicle for efficiently leveraging tax increment to finance public infrastructure would involve (i) formation of a community facilities district ("CFD") under the Mello-Roos Act and an IFD project area -- the boundaries of which are coterminous with the boundaries of the private development -- prior to construction of the public infrastructure, (ii) issuance of CFD bonds early in the development cycle, i.e., prior to generation of significant tax increment that can be allocated to the IFD, (iii) application of special taxes levied in the CFD to pay debt service as long as tax increment is not available and (iv) use of tax increment, when available, to pay debt service on the bonds, which allows a reduction in the amount of special taxes levied for that purpose.

¹⁶ City staff currently assumes that the preferred method for debt issuance would be a CFD bond repaid with IFD proceeds.



MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request approval of the Port's seven additional capital projects and accompanying supplemental appropriation to Fiscal Year 2015-16 Capital Budget

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

On February 21, 2014 in Resolution 14-12, the Port Commission approved the Port's Proposed Biennial Operating and Capital Budgets for Fiscal Year (FY) 2014-15 and FY 2015-16.¹ Thereafter, both budgets were incorporated into the Mayor's Budget and adopted by the Board of Supervisors in the Annual Appropriation Ordinance (AAO). Each fiscal year of the adopted AAO includes \$12.8 million in capital funding. A list of these projects is attached hereto as Exhibit II.

Port staff now seeks approval to introduce legislation to the Board of Supervisors that will appropriate an additional \$19.5 million to the Capital Budget for FY 2015-16. This would bring total FY 2015-16 capital funding to \$32.2 million. Port staff requests this appropriation to allocate one-time sources to needed capital investment consistent with Port Commission policy to allocate surplus and one-time revenue to capital investments. The additional funding sources include \$4.2 million in savings from completed Port projects and \$15.3 million pre-paid nonrefundable rent from Pacific Gas & Electric (PG&E) for use of Port property for a power line in the Southern Waterfront. The Port Commission approved this agreement on June 10, 2014 in Resolution 14-43 subsequent to approval of the budget.

THIS PRINT COVERS CALENDAR ITEM NO. 13C

¹ Proposition A, approved in November 2009, allowed the City to implement a two-year budget cycle.

Under the provisions of the Administrative Code, departments on a fixed two-year budget may amend the second year of their budget by up to five percent without further review. Since this proposed supplemental exceeds that limit, with an increase of 15 percent, Port staff will submit a request to amend the FY 2015-16 budget shortly after final approval of the FY 2015-16 budget in the summer of 2015. This timing will allow the Board of Supervisors to fully review the capital budget request without reopening the Port's approved operating budget for FY 2015-16.

Following Port Commission approval of this item, Port staff will submit the capital project supplemental to the City's Capital Planning Committee for review and approval prior to moving the legislation forward to the Board of Supervisors.

Strategic Objective

The Port faces a \$1.6 billion backlog in capital repairs and does not generate sufficient revenue to keep pace with capital renewal requirements. As a result, the Port Commission has adopted a capital policy to allocate a minimum of 20 percent of operating revenue to capital investment and has a stated policy to invest one-time revenue in capital.

The proposed supplemental appropriation allocates one-time revenue and project savings to strategic capital investment. This investment will develop and maintain facilities for private leasing to expand Port revenues for future capital investment. The investment will serve as grant matches to leverage other funding sources. The investment also addresses critical safety issues. The project recommendations are consistent with the scoring criteria which Port staff has deployed since 2010 to evaluate capital project requests (see Exhibit I – *Project Scoring Criteria*).

Port staff submitted 25 potential projects, valued at \$43.5 million. A Technical Review Committee, comprised of 10 Port staff with representation from each division, reviewed and scored the projects based upon their ability to address one or more of the following strategic priorities:

- (i) Address a safety, health, code, or regulatory issue or threat to the environment;
- (ii) Significantly reduce potential liability to the Port;
- (iii) Promote commerce, navigation or fisheries;
- (iv) Attract people to the waterfront;
- (v) Promote natural and cultural resources;
- (vi) Preserve existing Port revenues; and/or
- (vii) Generate and/or leverage additional revenues for the Port.

Of the 25 potential projects, 7 are recommended to the Port Commission for funding in the FY 2015-16 capital budget. Exhibit II to this report lists approved capital projects for FY 2015-16. Exhibit III to this report lists the 25 projects Port staff submitted for funding consideration.

Port staff recommends that one-time sources be used for one-time uses, or set-aside to project against an unforeseen downturn. The alternative to using \$15.3 million from a

one-time PG&E payment for capital projects is to instead deposit the funds into a Revenue Stabilization fund. The purpose of a Revenue Stabilization fund is to hold funds for debt service on the Port's revenue bonds in the event of major revenue reductions or unanticipated cost increases. Port staff recommends using the funds for capital investment because the investment will generate revenue of approximately \$3.2 million per year as described below, and the Port's financial forecast predicts coverage of between 5.13x and 6.27x between FY 2014-15 and FY 2017-18. The Port's projected financial strength and the positive financial impact of the proposed capital investment are the reasons why capital investment is the preferred option for the PG&E payment. Port staff will continue to seek Port Commission policy guidance as to spending or holding one-time sources.

Proposed Capital Projects

The proposed capital projects are detailed below with the project name, project number, location on the Waterfront, funding request amount and description, including key rationale for prioritization.

1. Backlands Project (CPO-923-01, Southern Waterfront), \$8,500,000

Located at Piers 90-96 along Amador Street in the Southern Waterfront, this project is to grade the site, pave a portion of the land, construct a roadway and install solar lighting, fire hydrants, composting restrooms, and a natural based storm water management infrastructure. Improvements will accommodate the site for future leasing opportunities such as construction laydown, vehicle parking and storage types of uses. The project was originally financed with 2010 Port Revenue Bond proceeds, but funds were reallocated to complete the Port's share of the 34th America's Cup improvements.

Based on conservative projections of 60 percent utilization, and monthly parameter rents of \$0.35 per square foot for land, the projected annual income for the facility is \$1.9 million when fully leased. Assuming a three year lease-up period, the project is estimated to generate \$8.6 million in net income (net revenues from the project area less the cost of the capital improvements) over 10 years, with an internal rate of return of 21 percent. In addition to the significant financial benefit, the new lay down space and associated industrial activity with activate Port property in the South Waterfront which is an important strategic objective.

2. BAE Electrical Service Separation (CPO-935-02, Southern Waterfront), \$3,000,000

Building 102 at Pier 70 houses electrical equipment that supports the BAE shipyard operations. As the Orton Development Inc. historic rehabilitation project moves forward, it is necessary to create a new service station for the shipyard and mitigate and existing PCB transformer environmental hazard associated with the existing equipment. This project will address regulatory requirements and reduce liability associated with the containment of PCBs on Port property. Additionally, this project is critical for supporting the Port's maritime operations at the BAE shipyard, which generates approximately \$1.6 million annual Port Ship Repair revenue.

3. Central Basin Dredging (CPO-936-01, Southern Waterfront), \$2,900,000

The Central Basin, located offshore from Piers 68 and 70, must be dredged at negative 35 feet at mean lower low water (MLLW) to ensure full operation of the BAE shipyard. Rather than assume the full cost of maintenance dredging, the Port has been working with the United States Army Corp of Engineers (USACE) for several years to facilitate transferring the responsibility to the USACE. The project is now on schedule to go to construction in 2016.

The total estimated cost of dredging the Central Basin is \$15.8 million, with USACE providing up to \$10 million and the Port and BAE each providing a match of \$2.9 million. The USACE will then assume all costs for future dredging of the Central Basin, which will require several million dollars of federal funding every decade.

This project is critical for supporting maritime operations. Funding this initial project will provide a long term non-Port financing solution for dredging at the Central Basin. Ensuring that the Central Basin remains properly dredged protects approximately \$0.7 million annual income from Ship Repair.

This project was included in the Port's 10 Year Capital budget for FY 2015-24. The request advances the funding by one year to be consistent with USACE's current construction schedule.

4. Pier 23 Roof Replacement (CPO-759-13, Northeast Waterfront), \$2,833,151

Pier 23 was last roofed in 1971 and has deteriorated to the point where repairs are no longer cost effective. Ongoing leaks are contributing to dry rot of the wooden structural components of the building, which leads to the deterioration of the structural integrity of the facility that, in time, will require major structural repairs at much higher costs. Replacing the roof will protect the facility from further deterioration and enable Port Real Estate to re-lease the shed at top parameter rates of \$1.25 per square foot per month, generating an annual income of approximately \$1.0 million.

Port staff estimates that without replacing the roof, the Port would only receive about \$0.75 per square foot per month for shed space in the pier due to the condition of the facility. Based on this estimate, the incremental increase in net income generated from the shed portion of the Pier 23 facility (additional revenues less the cost of the new roof) is \$0.7 million over 10 years, with an internal rate of return of 15 percent. In addition to the financial benefit, this project protects a historic resource in the core of the Embarcadero Historic District from substructure damage that a leaking roof will cause.

5. Quint Street Lead, Additional Funding (CPO-186-02, Southern Waterfront), \$1,000,000

The Quint Street Lead is an approximately nine-tenths of a mile long freight rail spur track connecting the Main Line, owned and operated by the Peninsula Corridor Joint Powers Board (JPB) primarily for Caltrain commuter rail, with the Port of San Francisco cargo terminals and rail yard, located on the south side of Islais Creek, just east of 3rd Street. The planned improvement would increase capacity of the Quint Street Lead and

improve its efficiency and safety by raising the class of the track from "Industrial" to "Class 1".

On October 8, 2013 in Resolution 13-14 the Port Commission authorized the Executive Director to accept and expend a \$2.97 million grant from the U.S. Department of Transportation's Federal Railroad Administration's (FRA) Rail Line Relocation and Improvement (RLR) Grant Program to rebuild the Quint Street Lead Track. At that time, the total estimated cost of the Project was \$3.3 million, requiring a 10 percent Port match of \$330,000. It was recognized that any additional expense shall be borne by the Port as Grantee. Now, with completion of 30 percent design, it is clear that the project will cost an additional \$1.0 million to construct. Moving from planning level cost estimates to 30% design cost estimates results in more detail about the project components and is the reason for the increase. Failure to provide the additional funding will jeopardize the \$2.97 million grant and completion of the project.

Despite the growing cost, it is notable that the Port's contribution will leverage three times its amount in federal funding. Additionally, completion of the rail upgrades is strategic for improving capacity to Maritime cargo operations and, in turn, will enhance the competitiveness of the Port's cargo facilities.

6. Seawall Study and Repairs (CPO-756-01, Portwide), \$1,000,000

Funded in the FY 2014-15 Capital Budget, the Port is currently underway with a \$0.5 million project to complete the initial phase of a comprehensive study of the condition of the Port seawalls and marginal wharfs, their capacity to withstand seismic events, and improvements needed to address sea level rise. Additional funding is required to complete the study, and to implement the study's findings.

Specifically, the additional project funding now requested will make it possible to complete a multi-hazard assessment of the northern waterfront seawall, marginal wharves and bulkhead buildings that will consider condition, earthquakes and climate change risks associated with the infrastructure. The project may also include: forecasting the economic impacts of seawall failures; prioritizing projects for early and longer term implementation in alignment with SF's Resilient City Objectives; undergoing the design and construction of early implementation projects; and developing funding strategies for longer term projects.

The key strategic priorities that will be met by completing this work include reducing potential liability of the Port and protecting historic Port infrastructure in the event of a large earthquake or other natural disaster.

7. Pier 39 Sediment Investigation (CPO-760-02, Northeast Waterfront), \$250,000

The Regional Water Quality Control Board formally requested the Port conduct a sediment investigation at Pier 39 to assess the extent and potential source(s) of a

polyaromatic hydrocarbon (PAH) contamination in the area.² The Port is currently conducting a limited sediment investigation to establish potential source(s) of the PAH detected in the sediment. This project will fund a more detailed follow-up investigation to determinate the extent and depth of the contamination.

Financial Impacts of Proposed Projects

Three of the seven projects recommended will generate or preserve revenues for the Port as discussed in the project descriptions above. As the table below shows, the proposed projects are estimated to generate in excess of \$3.2 million annually after full lease up (projected to be achieved in year 3), with a combined Net Present Value (NPV) of \$6.9 million over ten years.

Capital Projects With A Quantifiable Net Financial Impact

Table of Project Cash Flows

Project		Backlands Project	Central Basin Dredging	Pier 23 Roof Replacement	Cumulative Totals
Year	0	(8,500,000)	(2,900,000)	(2,833,000)	(14,233,000)
	1	615,816	175,000 *	193,425	984,241
	2	1,268,582	360,500 *	300,795	1,929,877
	3	1,979,756	556,973 *	402,362	2,939,091
	4	2,039,149	764,909 *	414,433	3,218,491
	5	2,100,323	787,856 *	426,866	3,315,045
	6	2,163,333	811,492 *	439,672	3,414,497
	7	2,228,233	835,837 *	452,862	3,516,932
	8	2,295,080	860,912 *	466,448	3,622,440
	9	<u>2,363,932</u>	<u>886,739</u> *	<u>480,442</u>	<u>3,731,113</u>
Total - 10 Yr. Net		8,554,204	3,140,217	744,305	12,438,726

* represents preservation of revenues that would otherwise be lost.

** capital project costs are shown in year 0.

25 Yr. Combined IRR for all three projects = 20%

10 Yr. NPV using a 4% discount factor = \$6,947,912

Funding Sources

The sources of funds for additional proposed capital projects include \$4.2 million in previously approved Port capital funds that are no longer needed for their original purpose and \$15.3 million pre-paid rent from Pacific Gas & Electric (PG&E), as approved on June 10, 2014 in Resolution 14-43. The \$4.2 million is generated by

² PAHs are both natural to the environment and man-made as a result of burning products like coal, oil, gas, and garbage without completing the burning process. PAHs are a concern because they can persist in the environment. See, <http://www.epa.gov/osw/hazard/wastemin/minimize/factshts/pahs.pdf>.

savings from approved capital projects that were completed under budget or with other funding sources. The executed PG&E license relates to submerged and regular land parcels located in the in Central and Southern Waterfront for the installation of a 2.5 KV submarine cable between the company's Embarcadero Substation and Potrero Switchyard.³

The table below describes the sources of funds – the PG&E payment and savings from approved and completed capital projects and the reasons for project savings – and the uses of funds to the proposed 7 capital projects.

Table 1: Sources and Uses Summary

Sources and Uses of Additional Funds

<u>Proj. #</u>	<u>Description</u>	<u>Amount</u>	<u>Explanation</u>
Funding Sources:			
	PG&E Lease of Property	\$ 15,275,205	40 years of Pre-Paid Rent
	Reallocation of Capital Project Savings	\$ 4,207,946	
CPO680	ADA Transition Plan	\$ 700,000	See explanation below *
CPO687	Illinois Street Bridge	\$ 18,875	Project completed.
CPO717	Pier 45C Development Project	\$ 7,822	Reduced scope of work completed.
CPO728	Triangle Parking Lot	\$ 25,961	Project completed.
CPO739	Ferry Terminal Public Pier	\$ 21,198	Project completed.
CPO765	Brannan Street Wharf	\$ 745,000	Project completed.
CPO767	Pier 35 Security & Life Safety Project	\$ 18,526	Project completed.
CPO777	Pier 33-25 Curb Cut Project	\$ 86,456	Project completed.
CPO783	FW Harbor Joint Ops Center Bldg.	\$ 60,731	Project completed.
CPO784	Pier 29 Annex Bldg. Painting Project	\$ 3,100	Project completed.
CPO787	Pier 45 Fender & Camels Project	\$ 401,386	Project completed with other funding.
CPO792	Pier 70 Building No. 2 Repairs	\$ 300,000	Project not required.
CPO927-01	AC34 Improvements - Master	\$ 1,031,790	Project completed.
CPO927-09	AC34 - Improvements - Environmental	\$ 85,268	Work completed.
CPO927-11	AC34 - Improvements - A&E Services	\$ 350,000	Funding never utilized.
CPO755	Disposal of Drydock No. 1	\$ 351,833	Surplus funding - project completed.
Total Sources		\$ 19,483,151	
Use of Funds:			
CPO923-01	Backlands Project	\$ 8,500,000	
CPO935-02	BAE Electrical Service Separation	\$ 3,000,000	
CPO936-01	Central Basin Dredging	\$ 2,900,000	
CPO759-13	Pier 23 Roof Replacement	\$ 2,833,151	
CPO186-02	Quint Street Lead – Add'l Funding	\$ 1,000,000	
CPO756-01	Seawall Study – Add'l Funding	\$ 1,000,000	
CPO760-02	Pier 39 Sediment Investigation	\$ 250,000	
Total Uses		\$ 19,483,151	

³ See <http://sfport.com/modules/showdocument.aspx?documentid=8196> to review Port Commission staff report.

**In 2004, the Port Commission adopted an ADA transition plan. Almost all of the projects identified in that plan have now been completed, with the exception of improvements to 501 Caesar Chavez which are currently on hold pending a larger plan for the facility. The \$700,000 comes from securing alternative sources from some ADA improvements, such as the G.O. parks bond for Blue Greenway improvements, projects coming in under budget, and from the budget for 501 Caesar Chavez improvements.*

Southern Waterfront

As detailed above, four of the seven proposed projects are located in the Southern Waterfront and will benefit the area. The Central Basin Dredging project will support jobs by enabling BAE to continue large-scale ship repair. The BAE electrical service separation project will ensure that the sources of power for BAE and the Orton development are adequate and environmentally responsible. The Quint Street Lead project strengthens rail capacity to the cargo piers, which support the Port's efforts to grow cargo business in the Southern Waterfront. Finally, the Backlands project will improve the area and establish new capacity for Port tenants to bring additional employment to the area.

All of these projects have been discussed extensively and are supported by both the Southern Waterfront Advisory Committee (SWAC) and Central Waterfront Advisory Group (CWAG).

Climate Action

On July 8, 2014 the Port Commission reviewed and commented on proposed guidance for incorporating sea level rise into capital planning. In September 2014 the City's Capital Planning Committee (CPC) adopted the guidance.⁴⁵ All City departments were directed to use the new framework to assess capital projects with construction costs of \$5 million or more for vulnerability, risk and adaptation options related. CPC then will use the Guidance to determine whether department Capital Plans have adequately addressed sea level rise vulnerabilities.

Of the proposed capital projects, only the Backlands Project meets the criteria for requiring a sea level rise assessment. Port Engineering determined that the improvements on the "Backlands" site, at Piers 90-96 along Amador Street in the Southern Waterfront, have a potential maximum lifespan of 20 years. Using the 2014 San Francisco Public Utilities Commission (SFPUC) Inundation Study Findings and Maps, Port staff determined that during the lifespan of the project, the sea level will rise less than 12 inches above the current Mean Higher High Water Level. In this scenario, the site infrastructure and operations would not be significantly affected in the event of a 100 year storm surge. Additionally, because the upgraded site will not include

⁴⁵Sea Level Rise Committee for the San Francisco Capital Planning Committee, *Guidance for Incorporating Sea Level Rise into Capital Planning In San Francisco: Assessing Vulnerability and Risk to Support Adaptation*, September 22, 2014.

⁵ Between 1900 and 2000 the level of the Bay rose by seven inches. Scientific forecasts show that water levels could rise another 16 inches or more by 2050 and the California Climate Action Team found that water levels could rise as much as 55 inches in 100 years.

permanent structures or utilities, the impacts of flooding would be minimal and the overall cost of repairs would be relatively low.

Port staff recognizes that the threat of sea level rise greatly impacts infrastructure on the Waterfront. The Port is working closely with BCDC and the City on adaption strategies for Mission Creek, our lowest lying area. These strategies will inform strategies for other Port properties. The Port is also a key participant in the Mayor's Sea-Level Rise Task Force and will faithfully utilize the adopted guidance and other tools the City develops to address this challenge.

Next Steps

Following Port Commission approval of this item, Port staff will submit the proposed additional capital projects to the City's Capital Planning Committee for review and approval prior to seeking approval of the Board of Supervisors.

Prepared by:

Meghan Wallace, Budget Manager
Finance and Administration

Lawrence Brown, Financial Analyst
Finance and Administration

and

Elaine Forbes, Deputy Director
Finance and Administration

Exhibit I – Project Scoring Criteria

Exhibit II – List of Approved Capital Projects for FY 2015-16

Exhibit III – Additional Capital Projects Submitted for Funding for FY 2015-16

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-06

- WHEREAS, The Board of Supervisors approved a Fiscal Year 2014-15 and Fiscal Year 2015-16 Biennial Operating and Capital Budget in the Annual Operating Ordinance; and
- WHEREAS, Port staff subsequently identified \$4.2 million in previously approved Port capital funds that are no longer needed for their original purpose and may be re-appropriated for new project uses; and
- WHEREAS, The Port also received \$15.3 million in pre-paid rent from Pacific Gas & Electric (PG&E), in accordance with Resolution 14-43 approved by the Port Commission on June 10, 2014, for the installation of a 2.5 KV submarine cable between the company's Embarcadero Substation and Potrero Switchyard; and
- WHEREAS, The Port faces a \$1.6 billion backlog in capital repairs and does not generate sufficient revenues to keep pace with capital renewal requirements and as a result the Port Commission has a stated policy to invest one-time revenue in capital; and
- WHEREAS, The Port staff has developed a strategic budget plan to utilize these available funds for other priority capital projects and, therefore, staff recommends these projects for approval through a \$19.5 million supplemental budget appropriation for the FY 2015-16 Capital Budget; and
- WHEREAS, The proposed supplemental budget appropriation authorizing expenditure for the proposed projects must also be approved by the City's Capital Planning Committee, the Board of Supervisors and Mayor Edwin Lee; and, now therefore, be it
- RESOLVED, That the Port Commission hereby approves the proposed additional funding, the proposed additional seven capital projects and related supplemental appropriation of \$19.5 million for FY 2015-16 as set forth in the staff memorandum accompanying this Resolution; and be it further
- RESOLVED, That the Port Commission directs staff to submit the proposed capital projects to the City's Capital Planning Committee for their review and approval; and, be it further

RESOLVED, That the Executive Director is directed to introduce the proposed additional capital projects and related supplemental appropriation to Mayor Edwin Lee and the Board of Supervisors for approval.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 10, 2015.

Secretary

EXHIBIT I

Scoring Criteria for Port Capital Project Funding Requests

The first set of "evaluation" criteria used by the Capital Plan Working Group to score capital project funding requests submitted by the Port's divisions address public safety and the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969. The funding requests were scored in increments of five points, up to the maximum specific to each criterion, as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
Does the project address a code or regulatory issue?	20
Does the project significantly reduce potential liability to the Port?	15
Does the project promote commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The second set of evaluation criteria used evaluates the payback period and the return on investment of those capital projects that would bring in additional revenue and/or reduce Port operating costs. The first criterion is intended to capture the efficiency of the investment, the second criterion, the scale of the financial impact. These criteria were scored for each project in increments of five points as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
What is the payback period, if 10 years or less	10
What is the total 10-year financial benefit to the Port?	20

Finally, all projects were reviewed to determine if they fell into one or more of the four major categories listed below. The Capital Plan Working Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

Prioritization Category

Is the project required to address an emergency, defined as an immediate threat to human health or the environment?

Is the project legally mandated by a regulatory order or legal judgment?

Is the project substantially matched by outside funding sources?

De-prioritization Category

Is the project non-revenue generating and does it have less than 25% in outside matching funds?

EXHIBIT II

Capital Projects Approved Funding for Fiscal Year 2015-16

<i>Projects Funded from Port Operating Fund Balance</i>	<i>Funding FY 2015-16</i>
<i>Northeast Waterfront:</i>	
Marina Repair and Upgrade Project	615,000
N. Waterfront Historic Pier Structures Repair Project	900,000
<i>Southern Waterfront:</i>	
Pier 80,92,96 Rail Track Maintenance and Upgrade Project – Add'l Funding	430,000
Southern Waterfront Greening/Beautification Improvements – Add'l Funding	314,200
Southern Waterfront Open Space Enhancements/Alternative Energy – Add'l Funding	550,000
Container Crane Painting and Upgrade Project	300,000
Pier 70 Historic Core Repairs, Improvement & Bldg. Stabilization Project – Add'l Funding	400,000
<i>Portwide Projects:</i>	
Emergency Capital Project Fund – Add'l Funding	89,000
Dredge Materials Testing FYs 2014-15 & 2015-16 Program	500,000
Maintenance Dredging FYs 2014-15 & 2015-16 Program	4,964,000
Utilities Project – Add'l Funding	100,000
Pier Structures Repair Project, Phase II – Add'l Funding	2,527,800
Homeland Security Enhancements – Add'l Funding	250,000
Port Elevator/Escalator Upgrade Repair & Replacement Proj.	610,000
Underpier Utility Repairs	250,000
Total Project Funding	\$12,800,000

EXHIBIT III

Additional Capital Projects Submitted for Funding for Fiscal Year 2015-16

Capital Project Funding Requests	Requested Funding
<i>Fisherman's Wharf:</i>	
<i>Pier 39 Sediment Investigation</i>	<i>\$250,000</i>
Pier 45 Ice Machine	600,000
<i>Subtotal Fisherman's Wharf</i>	<i>850,000</i>
<i>Northeast Waterfront:</i>	
<i>Pier 23 Roof Replacement</i>	<i>2,833,151</i>
Pier 23 Bathroom Upgrade	550,000
Northern Waterfront Wayfinding Project	300,000
Seawall Lot 322-1 Parking Garage	5,610,000
Beltline Building Improvements	664,444
Pier 29 Bulkhead Building Substructure Repair	2,000,000
<i>Subtotal Northeast Waterfront</i>	<i>12,007,595</i>
<i>Ferry Building Area:</i>	
Agricultural Building Front Door Repair	132,000
<i>Subtotal Ferry Building Area</i>	<i>132,000</i>
<i>South Beach Area</i>	
Ferry Terminals Float Repairs – Add'l Funding	1,300,000
<i>Subtotal South Beach Area</i>	<i>1,300,000</i>
<i>Southern Waterfront:</i>	
<i>Central Basin Dredging</i>	<i>2,900,000</i>
<i>BAE Electrical Service Separation</i>	<i>3,000,000</i>
<i>Quint Street Lead Project – Additional Funding</i>	<i>1,000,000</i>
<i>Backlands Project</i>	<i>8,500,000</i>
Pier 70 Sediment Cap Project	300,000
Pier 70 Waterfront Development Site Predevelopment Cost	4,000,000
Port Cargo Crane Spreader	760,000
Piers 80/92/96 Rail Track Upgrades	1,660,000
<i>Subtotal Southern Waterfront</i>	<i>23,868,000</i>
<i>Portwide Projects:</i>	
<i>Seawall Study and Repairs – Additional Funding</i>	<i>1,000,000</i>
Portwide Parking Lot Lighting Project	450,000
GIS Facility Management – Highest and Best Use Study	425,000
Climate Change Study Grant Match	200,000
Ladder and Skylight Retrofit Project	1,194,000
Pier 80 Sewer Upgrade Project	2,100,000
<i>Subtotal Portwide Projects</i>	<i>5,369,000</i>
Total Project Funding Requests	\$43,526,595

* The projects Port staff recommends for funding are shown in bold and italics.



MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MM*
Executive Director

SUBJECT: Request authorization for San Francisco Public Works, in consultation with Port staff, to issue a Competitive Solicitation for an Asphalt and Concrete Batching Plant at Seawall Lot 352 (located along Amador Street) with a Bulk Maritime Terminal Component at Pier 94

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Overview

By Resolution 08-35, the Port Commission authorized a competitive solicitation for one or two batching plants at Seawall Lot 352 ("SWL 352") with a bulk maritime terminal component at Pier 94. The timing of the solicitation coincided with a local economic downturn in 2008 that evolved into the 2008 financial crisis. As a result, the Port received no bids in response to the solicitation. Members of the Port's Southern Waterfront Advisory Committee ("SWAC") have repeatedly expressed interest in pursuing this use of SWL 352.

In 2014, San Francisco Public Works ("SFPW") approached the Port expressing interest in pursuing a batching opportunity at this site. SFPW and a variety of other City departments (including the Port) have an ongoing need to purchase asphalt and both structural and non-structural concrete for City-sponsored projects. A new asphalt and concrete batching operation at SWL 352 can be structured as a lease with a companion long-term supply contract to supply City departments with asphalt and concrete.

SFPW and Port staff propose a competitive solicitation, likely in the form of a Request for Qualifications/Proposals ("RFQ/P") from private asphalt and concrete batching operations, for (i) the lease of a five acre site at Seawall Lot 352 with non-exclusive

THIS PRINT COVERS CALENDAR ITEM NO. 14A

maritime access to Pier 94 (the "Site") as shown in Appendix A, and (ii) a companion long-term asphalt and concrete supply contract for City-sponsored projects.

The Site

The Site (see Appendix A) is a maritime/industrial leasing opportunity consisting of:

- 204,688 square feet of land (Parcel A) within 1,200 feet of the waterside.
- 5,967 square feet of land (Parcel B) to accommodate a conveyor system to move aggregate materials from the Pier 94 berth to Parcel A.
- Non-exclusive use of a deep-water berth at Pier 94 for unloading of materials, with an opportunity for preferential berthing rights, subject to continued Port rights to berth in order to discharge dredge material to an adjacent parcel and servicing of other maritime tenants as needed.
- Potential additional land (up to several acres) if there is a demonstrated need for parking, materials storage or related uses.

Recommended Use

Port staff recommends limiting the proposed uses of the Site to concrete and asphalt batching, because it was previously leased for a batching operation. Staff has received strong expressions of market interest in batching. The Port and its surrounding communities have enjoyed economic success with batching operations and batching uses at the Site have been analyzed pursuant to the California Environmental Quality Act.

RFQ/P respondents will acknowledge that Pier 94 (Seawall Lot 352) is a Port maritime facility and is designed to accommodate the shipment from and receiving of cargo by or from water-borne vessels including without limitation cargo ships, barges and other cargo vessels. Adjunct to its function as a cargo terminal, the Site is designed to be used for the sourcing of cargo, loading and unloading, and storage of bulk cargo pending delivery to their inland point of destination.

It is the intention of the Port that dry bulk cargo materials will be shipped to the Site into Port facilities by bulk carriers, barges or other cargo vessels calling at those facilities and thereby provide Port with additional revenues from the dockage fees, wharfage fees, and railroad switchage fees attributable to the cargo generated by the operation.

Outreach

The SWAC is supportive of leasing this Site as an asphalt and concrete batching opportunity, particularly since the City's Municipal Asphalt Plant at 1801 Jerrold Avenue has been closed.

Project Objectives

The proposed competitive solicitation would have the following objectives:

- Secure an experienced, high quality asphalt and concrete facility operator;
- Increase maritime and Port activities at Pier 94 maritime berth (or other identified berth);

- Provide for the construction of well-designed asphalt and concrete industrial facilities;
- Secure a high quality, affordable supply of asphalt and concrete on a long-term basis for City-sponsored projects in San Francisco;
- Minimize unnecessary truck trips;
- Promote City environmental policies, including those related to landfill diversion, construction materials recycling, air quality, stormwater management, and use of recycled materials in public works projects;
- Provide employment and contracting opportunities for San Francisco residents with an emphasis on outreach to residents from the 94124 zip code; and
- Provide a project consistent with City and Port land use policies.

Proposed Rent and Key Lease Terms

Subject to Port Commission authorization and upon successful completion of negotiations with the selected respondent, the Port would enter into a lease for the Site, with the following key terms and the additional key terms described in Appendix B:

- Rent:** Port staff anticipates a market rate rent structure for the facility that corresponds to existing batch plant operators on Port property, which includes a base rent per square foot, plus wharfage for materials handled at Pier 94 and dockage for vessel berthing during vessel unloading, in accordance with the Port's published Tariff #5. Alternately, consistent with the practice of some batch plant operators, an operator may choose to purchase imported materials from existing Port maritime tenants and pay the Port a maritime deficiency fee. Exact terms of base rent, wharfage, dockage and/or maritime deficiency fees will be subject to negotiation during an exclusive negotiating period.
- Premises:** 204,688 square feet of land (Parcel A) on Seawall Lot 352 within 1,200 feet of Pier 94, and 5,967 square feet of land (Parcel B) to accommodate a conveyor system to move aggregate materials from the Pier 94 berth to the production facilities (use of this area may be non-exclusive). The City will entertain proposals to utilize additional Port land across Amador Street for purposes of parking, storage of materials or related purposes.
- Term:** To provide sufficient term to amortize the investment required to construct the asphalt and concrete batching facilities, Port staff expect an initial lease term of 10 years, with up to three (3) five year extension options, with market resets based on appraisal for each option period.

Price and Guarantee of Supply of Asphalt and Concrete to the City

During the exclusive negotiating period, SFPW, on behalf of all Chapter 6 departments, will negotiate a long-term purchase contract for asphalt and concrete for City-sponsored projects in a final form approved by the City Attorney's Office and the Purchaser, incorporating specific terms including, but not limited to, the City's and operator's responsibilities, ordering, specifications, guaranteed availability (nights/weekends/emergencies/etc.) of asphalt and concrete for City needs, and pricing.

The competitive solicitation will require bidders to provide pricing proposals for formula based material specifications required by the City.

Environmental Impacts of Asphalt and Concrete Production

Port staff is mindful of the impacts of shipping aggregates and asphalt and concrete production on the environment. Respondents will be requested to emphasize in their submittals the environmental benefits of their facilities, operations and material supply. The following City and Port policies may impact the design or operation of the asphalt and concrete production facilities:

- **Asphalt Production.** Through its research, current asphalt production technology is trending towards allowing incorporation of 50% Reclaimed Asphalt Pavement ("RAP") – and possibly higher percentages – in new asphalt. The City currently requires a minimum of 15% RAP in new asphalt.
- **Waste Reduction.** The City's Board of Supervisors adopted Resolution No. 002-03-COE setting a goal of 100% diversion from landfill by 2020 and promoting the highest and best use of recovered materials and authorizing the Commission on the Environment to adopt a zero waste goal, which it set as 2020. The City has adopted an ordinance amending the Public Works Code (Ordinance 53-07) that requires the use of recycled materials in City construction projects to the maximum extent feasible.
- **Dust Control.** In 2005, the City adopted a Dust Control Ordinance which requires applicants for a building permit for a project over a half acre to submit a Dust Control Plan for approval by the San Francisco Department of Public Health. The City and the Port will require state-of-the-art dust control at any new production facility constructed.
- **Air Quality and Odor Control.** The City and the Port are also sensitive to odors and the release of airborne emissions arising from industrial operations on its property. The City and the Port will require state-of-the-art air quality and odor emissions control at any new production facility constructed.
- **Stormwater.** The SFPUC and the Port have published stormwater management guidelines which can be found at: <http://www.sfwater.org/Modules/ShowDocument.aspx?documentID=2779> . The Port will approve a Stormwater Pollution and Prevention Plan for site construction activity and a Stormwater Control Plan for ongoing operations.
- **Greenhouse Gases.** In November 2010, the Planning Department released a Greenhouse Gas Reduction Strategy titled "Strategies to Address Greenhouse Gas Emissions" committing the City to reducing greenhouse gas emissions by 25% below 1990 levels by 2017.
- **Truck Trips.** Finally, asphalt and concrete production facility operations result in truck trips to and from job sites. Respondents proposing facilities should assume that negotiations will involve discussions about 1) facility owner/operator

fleet air quality standards, and 2) efficient delivery of asphalt grindings from jobs sites requiring new asphalt as a way to minimize truck trips to the area. Use of maritime bulk terminals and freight rail to reduce truck trips associated with raw materials is encouraged.

Advertising

Subject to Port Commission authorization, SFPW staff would advertise the RFQ/P opportunity in newspapers used for this purpose by the Port's Real Estate Division, and via direct communication with the City's current list of concrete and asphalt companies. SFPW will host a prebid conference and coordinate a site tour with Port staff.

Request for Qualifications/Proposals

Subject to approval by the Port Commission, SFPW would issue an RFQ/P package consistent with standards and criteria established by the Port and SFPW. The package would include an overview, a site map, a narrative description of the opportunities, project objectives, project approvals, lease parameters, selection process, selection criteria, and schedule and submittal requirements.

Advisory Panel

The submittals would be reviewed and evaluated by an advisory panel selected by SFPW staff, in consultation with Port staff, consisting of up to five individuals with experience in real estate economics, public works construction, maritime terminal operations and environmental regulatory compliance ("Advisory Panel"), with the assistance from City staff and/or independent consultants.

The Advisory Panel, SFPW staff, or their consultants would, at their discretion, contact references and industry sources, investigate previous projects and current commitments, interview some or all of the respondents and respondent teams, and/or take any other information into account in their evaluation of the responses. SFPW would reserve the right to request clarification or additional information from individual respondents and to request that some or all respondents make presentations to Port staff, the Port Commission, community groups, or others. This due diligence – in addition to written materials provided by respondents in response to an RFQ/P – would be taken into account during the Advisory Panel's deliberations.

Department of Public Works Determination

The Advisory Panel would make a recommendation to SFPW staff. SFPW would select the most qualified respondent and make a final recommendation to the Port Commission, which may differ from the recommendation made by the Advisory Panel. The Port Commission, in its sole discretion, would determine whether to authorize exclusive negotiations with a selected respondent.

Selection Criteria

The respondent selected by SFPW should have the demonstrated ability to deliver and operate an asphalt and concrete batching facility that meets the Project Objectives. Proposals submitted to SFPW would be analyzed to select the most qualified respondent.

The Advisory Panel will use the following criteria in evaluating the responses to the

RFQ/P:

- Quality of the development and operations concept, based on the specified use, type of materials to be handled, source and means of transportation of raw materials, equipment, staffing, and markets for products. (10 points)
- Financial capacity of the respondent, based on ability to raise and commit funds for start up operations, facility development and continuing operations and maintenance. (5 points)
- The regulatory compliance record of the respondent. (10 points)
- Environmental performance plans, capability to produce recycled content, dust control measures, emissions profile of proposed facilities and fleets serving the facilities, fuel efficiency of fleets, and best management practices. (10 points)
- Experience, organization and reputation of the respondent's team, overall qualifications and availability of key individuals of the respondent's team, economic success of similar ventures, relationships with contractors and operators, ability to implement development and operations of asphalt and concrete production facilities quickly and effectively, and ability to work constructively with City and community representatives. (15 points)
- The proposed layout and design of the asphalt and concrete production facilities, including materials handling equipment, throughput capacity, resource-efficient building plans, environmental mitigation features, energy-efficiency of facilities, landscaping and stormwater management plans, and compatibility with the Southern Waterfront area. (5 points)
- The local economic benefits of the respondent's proposal, including local job training and hiring plans, participation by Contract Monitoring Division ("CMD")-Certified Small and Micro Local Economically Disadvantaged Business entities (e.g., ownership and/or partnership interests), and subcontracting opportunities for CMD -Certified Small and Micro Local Economically Disadvantaged Business entities. (15 points)
- Financial viability of the proposal, based on adequacy of projected revenues to support the investment and pay rent to the Port, reasonableness of the cash flow analysis, and proposed capital investment for improvements. (15 points)
- Guarantees of supply to City-sponsored projects in San Francisco and proposed pricing structure for asphalt and concrete supply (15 points).

Exclusive Negotiations

Upon Port Commission authorization of exclusive negotiations, the selected respondent will provide a \$25,000 earnest money deposit to be retained by the Port for a four month period of exclusive negotiations. The Port and the selected respondent would

enter into an Exclusive Right to Negotiate Agreement ("ERN") during the period of exclusive negotiations to complete Lease negotiations.

During the period of exclusive negotiations, the following events would occur:

- A Lease agreement and related documents for the lease and development of the Site in a final form approved by the City Attorney's Office would be negotiated;
- A long-term supply contract for asphalt and concrete in a final form approved by the City Attorney's Office and the Purchaser would be negotiated;
- The selected respondent would complete its due diligence review of the Site, finalize financial projections, and complete preliminary Site plans;
- The selected respondent, with the Port's cooperation, would complete the project approval processes, any required supplemental environmental review pursuant to the California Environmental Quality Act and obtain necessary approvals from regulatory agencies such as the San Francisco Bay Conservation and Development Commission; and
- SFPW and the Port would negotiate a Memorandum of Understanding regarding the management and oversight of the Lease and the long-term supply contract, including the respective roles and responsibilities of the Port and SFPW.

Approval of Transaction

Upon completion of any required environmental review, including compliance with the California Environmental Quality Act, and negotiations by Port staff, the Port Commission may, but is not required to, approve the Lease and any related documents.

Board of Supervisors

Maritime leases such as that proposed for the Site are not subject to approval by the City and County of San Francisco's Board of Supervisors ("Board of Supervisors") pursuant to San Francisco Charter Section 9.118. The companion agreement for long-term supply of concrete and asphalt is subject to Board of Supervisors' approval.

Diversity Program

The Port Commission is interested in encouraging the participation of CMD-Certified Small and Local Economically Disadvantaged Business entities in this RFQ/P opportunity. For more information concerning CMD-Certified Firms, all Respondents will be encouraged to refer to the CMD website.

RFP Schedule

Port staff recommends a competitive solicitation schedule as follows:

Issue RFQ/P	March, 2015
Pre-submittal conference and site tour for prospective bidders	March, 2015
Submittal deadline	April, 2015
Selection of bidder(s) for additional review	May, 2015

Presentation(s) by selected bidder(s)	June, 2015
Port Commission approval of selected bidder	July, 2015
Execution of ERN and lease negotiations	August, 2015
Port Commission approval of lease	TBD
Board of Supervisors approval of supply contract	TBD

Recommendation

Port staff recommends that the Port Commission approve the attached resolution authorizing SFPW, in consultation with Port staff, to issue a Request for Qualifications/Proposals for an Asphalt and Concrete Batching Opportunity on Seawall Lot 352 with non-exclusive maritime access to Pier 94.

Prepared by: Brad Benson
Director of Special Projects

Appendix A – Site Plan

Appendix B – Key Lease Terms

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 15-07

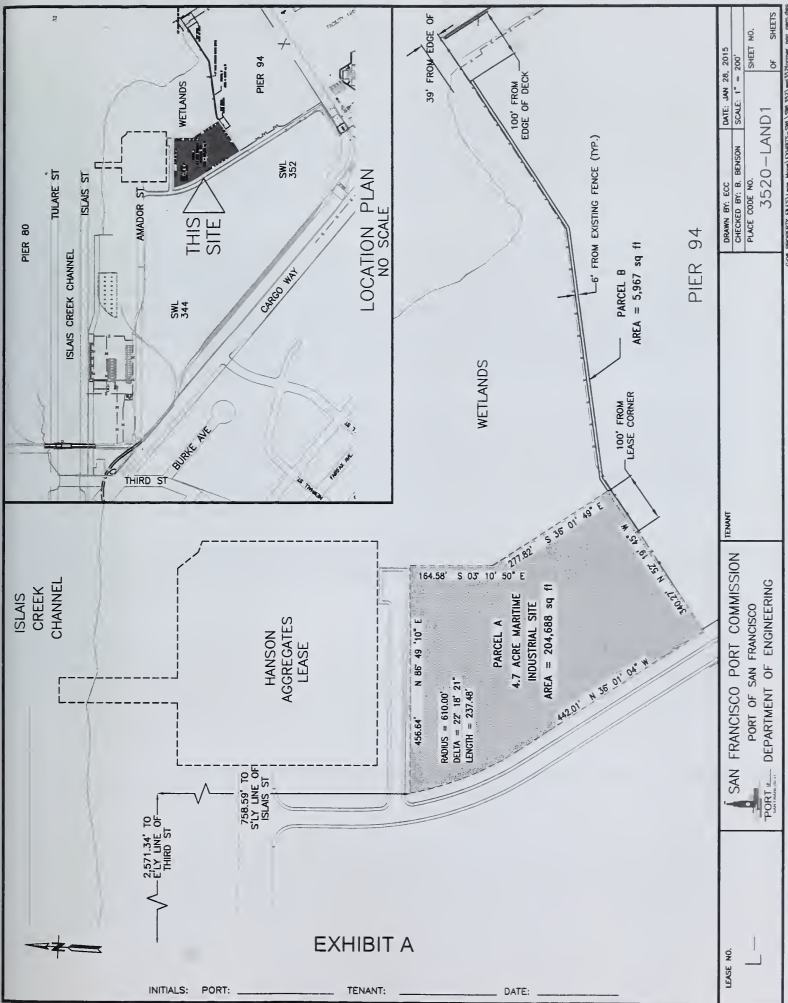
- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns approximately 204,688 square feet of land at Seawall Lot 352 and approximately 5,967 square feet of land leading from Seawall Lot 352 to Pier 94 (the "Site"); and
- WHEREAS, The leasing opportunity for the Site with the most significant potential to generate revenue is a maritime lease for an asphalt and concrete asphalt batching plant; and
- WHEREAS, A maritime/industrial leasing opportunity affords the opportunity to develop and operate an asphalt and concrete batching plant including the waterbourne import of bulk construction materials to be used for the production of concrete and/or asphalt; and
- WHEREAS, City staff has received numerous expressions of interest from experienced operators for a long term asphalt and concrete batching plant leasing opportunity with a bulk cargo marine terminal component at Pier 94; and City staff anticipates strong demand for such a maritime/industrial leasing opportunity; and
- WHEREAS, City policy encourages competitive bidding for leasing opportunities unless impractical or infeasible; and
- WHEREAS, The Port Commission wishes to proceed with a lease of the Site for these purposes; and
- WHEREAS, San Francisco Public Works ("SFPW") has expressed interest in utilizing a competitive solicitation for an asphalt and concrete batching opportunity to solicit market interest in a lease and long-term supply contract for concrete and asphalt for City-sponsored projects; and
- WHEREAS, Any such lease would require approval of the Port Commission and any such long-term supply contract for concrete and asphalt would require the approval of the City Purchaser and the Board of Supervisors; now therefore be it

RESOLVED, That the Port Commission authorizes SFPW, in consultation with Port staff, to offer the opportunity for the lease and operation of an asphalt and concrete batching plant at the Site and a long-term supply contract for asphalt and concrete for City-sponsored projects through a competitive solicitation process consistent with industry standards and the terms set forth in the staff Memorandum accompanying this Resolution; and be it further

RESOLVED, That the Port Commission authorizes SFPW and Port staff to take further actions in connection with the competitive solicitation as necessary to achieve the purposes described herein.

I hereby certify that the Port Commission at its meeting of February 10, 2015 adopted the foregoing Resolution.

Secretary



Appendix B

Key Lease Terms

If the Port Commission authorizes issuance of a competitive solicitation for concrete and asphalt batching operations at SWL 352, Port staff recommends that respondents be required to indicate acceptance of the following Key Lease Terms, and to make a lease proposal that is consistent with these Key Lease Terms. Actual terms of the Lease are negotiated with a prospective operator ("Operator") by Port staff and are subject to final approval by the San Francisco Port Commission.

Use

Proposals must include a full description of proposed uses, such as: detailed description of facility use, anticipated commodities to be handled including whether for import or export, means of transport to or from the facility, discharge or loading methods at the facility, handling, value-added processes, storage requirements, loading for delivery at the terminal, anticipated throughput volumes, and anticipated hours of operation. The City seeks an Operator who will maximize the use of Port maritime berth and rail facilities and recycled construction materials from existing Port tenants.

After selection and prior to lease execution, the Operator must submit an Operations Plan, subject to Port approval, including a detailed description of its maritime cargo handling activities and equipment, materials acceptance and segregation protocols, air quality and dust control measures, water quality and storm water pollution prevention measures, noise control measures, hazardous materials and waste management, and other best management practices.

The Port may impose Best Management Practices for load checking, dust control, storage of material and stormwater management from sources published by the State of California or its agencies.

Premises

204,688 square feet of land (Parcel A) on Seawall Lot 352 within 1,200 feet of Pier 94, and 5,967 square feet of land (Parcel B) to accommodate a conveyor system to move aggregate materials from the Pier 94 berth to the production facilities (use of this area may be non-exclusive). The site was previously planned to be used as a concrete batching plant.

The City will entertain proposals to utilize additional Port land across Amador Street for purposes of parking, storage of materials or related purposes.

Term

To provide sufficient term to amortize the investment required to construct the asphalt and concrete batching facilities, City staff expect an initial lease term of 10 years, with up to three (3) five year extension options, with market resets based on appraisal for each option period.

Rent

Port staff anticipates a market rate rent structure for the facility that corresponds to existing batch plant operators on Port property, which includes a base rent per square foot, plus wharfage for materials handled at Pier 94 and dockage for vessel berthing during vessel unloading, in accordance with the Port's published Tariff #5. Alternately, consistent with the practice of some batch plant operators, an Operator may choose to purchase imported materials from existing Port maritime tenants and pay the Port a maritime deficiency fee. Exact terms of base rent, wharfage, dockage and/or maritime deficiency fees will be subject to negotiation during the Exclusive Right to Negotiate agreement period.

Maritime Commitment

The respondents will acknowledge that Pier 94 (Seawall Lot 352) is a Port maritime facility and is designed to accommodate the shipment from and receiving of cargo by or from water-borne vessels including without limitation cargo ships, barges and other cargo vessels. Adjunct to its function as a cargo terminal, the Premises is designed to be used for the sourcing of cargo, loading and unloading and storage of bulk cargo pending delivery to their inland point of destination.

It is the intention of Port that dry bulk cargo materials will be shipped to the Premises into Port facilities by bulk carriers, barges or other cargo vessels calling at those facilities and thereby provide Port with additional revenues from the dockage fees, wharfage fees, and railroad switchage fees attributable to the cargo generated by the operation.

Accordingly, as material consideration for Port's agreement to accept as rent the Base Rent amount set forth in the lease, the respondent shall agree to ship to Port facilities minimum quantities of dry bulk cargo materials during the term of the lease.

Southern Waterfront Beautification Policy

The Port Commission has approved a "Policy for Southern Waterfront Community Benefits and Beautification" which identifies beautification and related projects in the Southern Waterfront that require funding. This policy requires the Port to set aside a portion of the monthly rents collected from Leases issued on or after the effective date on November 15, 2007 for the lease or use of Port property in the Southern Waterfront. The policy also holds the Operator to minimum standards for peaceful integration into the Southern Waterfront community.

Sale/Transfer/Refinancing

The Port expects to participate in the proceeds that the Operator receives from the sale, transfer or refinancing of the leasehold.

Maintenance/Repairs

During the term of the lease, the Operator shall be responsible for all improvements, maintenance, repairs and operating expenses associated with the Site, including any non-exclusive areas such as access roads, utilities, and general buffer areas.

Possessory Interest and Other Taxes

The Operator will be required to pay possessory interest taxes on the assessed value of the leasehold interest. The Operator also will be required to pay other applicable city taxes, including sales and payroll taxes.

Security Deposit

A security deposit will be required in an amount equal to no less than two month's Base Rent in the form of cash.

Insurance and Bond Requirements

Throughout the term of the Lease, the Operator will be required to maintain insurance typical for the approved project in amounts and with limits determined appropriate by the Port, the City's Risk Manager, and with carriers acceptable to the Port. Insurance will include, but is not limited to: comprehensive general liability; workers' compensation; property insurance on the Premises; automobile liability; watercraft liability; personal property; business interruption; builder's risk; pollution legal liability; a policy endorsement in a form acceptable to Port; and any other insurance required by law. The Port and City must be named as additional insureds.

Depending on the financial capacity of the entity entering into the Lease with the Port, the Port may also require a guaranty from the Operator's parent company or other security guaranteeing the successful completion of the concrete and asphalt batching plant project.

Environmental Deposits

The lease will require two forms of environmental financial assurance designed to protect the Port and the community from liability arising out of the operation of a concrete and asphalt batching plant:

1. A Letter of Credit (Environmental Performance Deposit) in a form determined by the Port and in an amount sufficient to compensate the Port for any damage it might incur as a result of the tenant's failure to perform its environmental obligations.
2. A \$10,000 Environmental Oversight Deposit which may be used by the Port if the Operator receives a Notice of Violation or regulatory order and such notice of violation cannot be cured or Operator cannot comply with such regulatory order within 14 calendar days after delivery of such notice, and the Operator is not actively working to cure such notice of violation or comply with such regulatory order.

Hazardous Materials

During the "due diligence" period, the respondents may conduct environmental site assessments of the Site. The Port will make existing information about physical and environmental conditions available to respondents.

Operations Plan

All Permitted Uses must be performed in compliance with an Operations Plan approved by the Port detailing environmental performance measures to minimize dust, manage stormwater, handle hazardous materials, recycle returned, unused concrete, etc.

Assignment/Sublease

The Port will have the right to approve any assignment, sublease or transfer of the Lease, subject to any participation provisions, as described above under the heading "Sale/Transfer/Refinancing".

Form of Lease

The successful respondent will be required to enter into a lease to be negotiated by the Port and respondent during the period of exclusive negotiations. The lease will be consistent with the Port's standard leasing provisions of comparable projects.

City Requirements

The Lease will require the Operator to comply with all City requirements in effect.

The Port Commission is interested in encouraging the participation of disadvantaged business entities in this RFP opportunity. The Operator will be encouraged to consult with the Contract Monitoring Division to determine appropriate methods for promoting participation by disadvantaged business such as Laboratory Services (Materials Testing), Trucking and Hauling, and Security Guard Services businesses.

The Port will also require the Operator to pay prevailing wages in the construction of the project in accordance with prevailing wage and labor standards adopted by the San Francisco Board of Supervisors pursuant to SF Admin. Code Section 6.22(E).

Diesel Fuel Measures

The Operator will use good faith efforts to use low-emission diesel fuel or alternative low-emission fuels for all petroleum hydrocarbon-powered equipment used on the Premises, and to explore emerging new technologies for reducing diesel particulate matter. Port staff is investigating lease-based requirements for using alternative fuels and particulate traps; the inclusion of such requirements is a policy matter for the Port Commission.

Local Truckers

As a material consideration for Port's agreement to enter into this Lease, Operator agrees that, for all trucking opportunities associated with Operator's operations, including, without limitation, hauling of materials on and off the Site, Operator will make good faith efforts to first use local truckers.

Performance Benchmarks

All documents governing the approval and development of the Site will contain time and performance benchmarks, including provisions for payment of liquidated damages, with termination for non-performance.



MEMORANDUM

February 6, 2015

TO: MEMBERS, PORT COMMISSION
Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon
Mel Murphy
Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Informational Presentation regarding Lease L-10432 and various Settlement Agreements with Sinbad's Pier 2, Inc.

DIRECTOR'S RECOMMENDATION: No Action

At its January 13, 2015 meeting, Vice President Willie Adams requested staff to provide a history of the tenancy of Sinbad's Pier 2, Inc. (Sinbad's). Pursuant to a Settlement Agreement between the Port and Sinbad's, Sinbad's is required to vacate its leasehold at Pier 2 no later than March 21, 2015. Pursuant to the SF Bay Conservation and Development Commission's (BCDC) Special Area Plan and BCDC's Permit No. 2012.001.05 (AC34), the Port is required to remove the building atop Pier 2 by March 31, 2015.

Background

Beginning in 1974, brothers Thomas and Charles Stinson converted an existing single story office building (originally used as a drafting studio for engineers constructing the BART tunnel) to use as a bar and a restaurant, adding a kitchen, an outdoor patio and public access. A few years later, a banquet room was added. In 1983, the outdoor eating area was enclosed and the restaurant was converted to its present state. For the past 31 years, brothers Thomas and Duane Stinson have operated Sinbad's as a full service restaurant, including a bar and event space, at Pier 2. Sinbad's employs approximately 32-48 people depending upon the high/low season, most of whom are members of Unite Here! Local 2 hospitality workers. A map of Sinbad's premises is attached hereto.

THIS PRINT COVERS CALENDAR ITEM NO. 14B

On October 27, 1980, upon action of the Port Commission, the Port entered into Lease L-10432 (Lease) with Sinbad's to allow the operation of a first class restaurant and lounge at Pier 2, between the Ferry Building and the Agriculture Building. The Lease had a 20-year term and expired on September 30, 2000. Sinbad's has been a month-to-month holdover tenant ever since (180 months) pursuant to Section 31 of the Lease. Under the terms of the Lease, either the Port or Sinbad's can terminate without cause upon thirty days' prior written notice. Sinbad's operation at Pier 2 also is governed by BCDC Permit No. M81-17 and subject to BCDC enforcement procedures.

Sinbad's also holds Port Parking Permit 00199 (Parking Permit) with the Port. The Parking Permit has been effective since October 1, 2005 and allows Sinbad's to use 8 parking spaces on the south and north side of the Agriculture Building. The Parking Permit is revocable by the Port upon 24 hours' notice. Sinbad's also holds a Parking License, issued May 2002, allowing a parking operation in the lot adjacent to the restaurant. It also is revocable by the Port upon written notice.

Sinbad's reported \$2 million in annual gross sales for the 12 months ended September 30, 2014, which is lower than most other equivalent Port restaurants. Sinbad's pays the Port \$23,548.28 in monthly rent (\$282,579.36/annually) which is inclusive of both the restaurant space and the parking areas. This amount represents Base Rent only. Throughout much of the 31 year period that Sinbad's has been a tenant of the Port, their percentage of gross receipts¹ has rarely exceeded the monthly minimum rent due to the Port. As such, the Port has not received any payment from Sinbad's above the minimum base rent since approximately 1988.

As described more fully below, Sinbad's has not been a Tenant in Good Standing as it frequently has been in default of its Lease for failure to pay rent.

Throughout much of Sinbad's tenancy, Sinbad's has been a Habitual Late Payer and has caused numerous payment issues including checks returned for Insufficient Funds. As a result, Port staff have expended much time and effort managing Sinbad's lease accounts. Port staff frequently worked with Sinbad's to craft a number of payment plans to bring them current. In 2012, the Port and Sinbad's entered into a settlement agreement as more fully described below. At that time, Sinbad's was over \$220,000 in arrears in payment of its rent (equivalent to approximately 10 months of non-payment). Sinbad's payment problems have resulted in the Port's issuance of numerous Notices of Default during Sinbad's tenancy. In the most immediate 10 year period, the Port has issued Sinbad's 10 separate Notices of Default either for non-payment or non-sufficient funds to support payment. Beginning in 2012 (and continuing through the present), Sinbad's is required to make all rent payments via cashier's check. In February 2001, in response to the Port's attempts to evict Sinbad's, the City Attorney won a Stipulated Judgment against Sinbad's which conferred upon the Port a judgment for immediate possession of Sinbad's premises upon notice in return for Sinbad's occupancy of Pier 2 as a month-to-month tenant. Such Stipulated Judgment was terminated as part of the Port's 2012 Settlement Agreement with Sinbad's, as discussed more fully below.

¹ Sinbad's Food and Beverage percentage rent rate is 6.5% and 8.5% for Other Sales

Finally, throughout their tenancy, Sinbad's has deferred improvements to the plumbing and sewer infrastructure of the building, therefore causing numerous plumbing and sewer issues to arise throughout the years. Some issues have been addressed with simple repairs; others required the Department of Public Health (DPH) to shut the restaurant down. In the last 6 years the Port has had to report 5 sewer leaks to the State of California due to sewer discharge into the bay including one just reported on January 29, 2015. All 5 were traced back to Sinbad's restaurant. All plumbing repairs have been made by Sinbad's as per the requirements of the Lease.

BCDC Requirements

In April 1975, BCDC adopted the San Francisco Waterfront Special Area Plan (SAP) to articulate a "practicable attainable" vision of the future of the San Francisco Waterfront. Points of emphasis within the SAP include (1) "important Bay Views along the Embarcadero and level inland streets should be preserved and improved" and (2) "greater amounts of ... open water and public access along the shoreline are essential to full realization of the potential for public enjoyment of the Bay."

The SAP has been amended upon occasion and was amended in April 2012, in part to address activities of the 34th America's Cup. As part of the 2012 Amendment, Pier 2 is scheduled to be demolished no later than March 2015. Specifically, the SAP states:

"By March 2015, remove the existing shed at Pier 2 after the 34th America's Cup Event project to improve Bay views and public access. Remove the northern portion of Pier 2 as part of the Downtown Ferry Terminal Phase 2 development project"

Additionally, in connection with the 34th America's Cup, BCDC issued Permit 2012.001.05² to the Port and the City and the America's Cup Event Authority. Permit 2012.001.05 (Permit 2012) granted permission for the use of numerous properties along the San Francisco waterfront, including Port properties, within BCDC's jurisdiction. To mitigate impacts of these uses, the Permit requires the Port to (1) remove fill at Pier ½, Pier 64 and Pier 2; (2) repair, use and maintain the south apron of Pier 19 and the north apron of Pier 23 for permanent public access; (3) build and permanently maintain a low float at the existing Pier 52 public boat launch facility; (4) construct and maintain the Jefferson Street Public Realm; and (5) remove dilapidated fill and construct and maintain Bayview Gateway, a new public open space. The Port has removed Pier ½, all of Pier 64's wood piles, repaired Piers 19 & 23, augmented Pier 52, completed Phase 1 of the Jefferson Street Public Realm and is completing design for Bayview Gateway. The Port is on schedule to perform the Pier 2 work following vacation of the property by Sinbad's.

Specifically with respect to Pier 2, the Permit states:

"Pier 2. By March 2015, remove the existing shed building at Pier 2 to improve Bay views and public access."

² Permit 2012.001.05 was originally issued June 2012 and subsequently was amended five times through March 2014

Additionally, the Permit also cross-references the BCDC SAP as follows:

"SAP Amendment Requirements. By March 1, 2013, as required by Amendment 4-11 of the San Francisco Waterfront Special Area Plan, the permittees shall remove approximately 21,034 square feet (0.48 acres, 273 cubic yards) of the Pier ½ structure and improve the marginal wharf area with seating and trash receptacles. By December 1, 2014, the permittees shall remove approximately 14,454 square feet (0.33 acres, 18,790 cubic yards) of the remnant piles and pier structures at Pier 64. Removal shall be done pursuant to Special Condition TI-N. By March 1, 2015, the permittees shall remove the building located at Pier 2 to improve Bay views and public access at this location."

Amendment of the SAP and issuance of the Permit required several public hearings and action by the BCDC Commission. The Stinson brothers appeared before the BCDC Commission to request the ability to stay at Pier 2 until 2015. Excerpts of the minutes for the February 12, 2012 and April 5, 2012 minutes are included as Attachment B hereto (full transcripts are available from BCDC). In both appearances before the BCDC Commission, Mr. Stinson acknowledges the need for the restaurant to close and his gratitude for an extension to 2015.

Pursuant to its law and regulations, BCDC has the authority to enforce its permits by: (1) revoking applicable permits, (2) issuing Cease and Desist Orders, and (3) imposing Civil Penalties. Such enforcement may be undertaken directly by the Executive Director or by action of the full BCDC Commission. Additionally, BCDC may refer violations of any permit to the Attorney General. If violations are not cured within 35 days of written notification, BCDC may assess penalties against the permittees through its standardized fine process. Such penalties range from \$1,000 up to \$30,000 per violation, depending how quickly the violation is resolved.

Downtown San Francisco Ferry Terminal Expansion Project

The San Francisco Bay Area Water Emergency Transportation Authority (WETA) is a regional public transit agency tasked with operating and expanding ferry service on the San Francisco Bay. WETA also coordinates the water transit response to regional emergencies. WETA carries over 1.8 million passengers annually throughout San Francisco Bay. The Downtown San Francisco Ferry Terminal Expansion Project (Downtown Terminal) is being developed by WETA to expand and improve facilities at the Downtown Terminal. WETA is working in close partnership with the Port to implement the project in support of WETA's Implementation and Operations Plan, which calls for the expansion of ferry service throughout the San Francisco Bay Area. The Downtown Terminal project also is critical to WETA's Emergency Water Transportation Management Plan, which sets forth the framework for WETA's emergency operations in the event of a regional disaster.

The Downtown Terminal project includes construction of up to three new ferry gates, one of which will be constructed where Pier 2 and Sinbad's currently sit. The Downtown Terminal project also includes installation of amenities such as weather-protected areas for queuing, improvements to pedestrian circulation, and covering of the current

"lagoon" area immediately west of Sinbad's for future use as a staging area for evacuees in the event of a major catastrophe. The long queues of ferry riders during the recent BART strikes underscore the need for these improvements.

The Downtown Terminal project is subject to environmental review at the State and Federal levels. The Federal Transit Administration has issued a Record of Decision completing the Federal environmental review (NEPA) requirements. At its October 2, 2014 meeting, the Board of Directors of WETA certified the Environmental Impact Report (EIR) for the Downtown Project. The EIR contains several references to Pier 2, including the disclosure that *"as part of the America's Cup project, Pier ½ has been removed. Additionally, the building that currently houses Sinbad's Restaurant on Pier 2 is to be vacated and removed by March 2015."*

According to WETA, the Downtown Terminal project has entered an approximately 12-month final Design & Engineering phase, at the conclusion of which it will advertise its construction contract. Construction is estimated to begin in Spring, 2016 and conclude in Summer 2017.

Settlement Agreements with Sinbad's

In December 2012, the Port and Sinbad's entered into a Settlement Agreement (Settlement Agreement), as approved by the Port Commission. As of December 2012, Sinbad's owed the Port \$220,065.89 of back rent, plus interest and late fees. As incentive for Sinbad's to vacate Pier 2 by December 2014, the Port credited Sinbad's with 4 months of back rent equaling \$85,305.60. The Settlement Agreement required Sinbad's to:

1. pay the Port, in twenty-four equal payments (January 1, 2013 to December 31, 2014), its back rent with interest in a combined amount of \$141,498.30,
2. vacate Pier 2 by December 31, 2014, and
3. waive any claims including claims for relocation benefits.

In exchange, the Port agreed to waive its unilateral rights to terminate the holdover lease and associated parking agreements before December 31, 2014 for failure to pay the back rent accrued prior to the effective date of the Settlement Agreement (January 1, 2013), provided that Sinbad's strictly complied with all terms and obligations of the Settlement Agreement. The Port reserved its right to terminate the lease and associated parking agreements for any other uncured defaults of the lease and associated parking agreements, not associated with the payment of back rent. The Port entered into the Settlement Agreement in good faith in reliance on Sinbad's representation that it will vacate Pier 2 regardless of when WETA moves forward with its Downtown Terminal project. Additionally, Sinbad's agreed to indemnify the Port for any costs or liabilities resulting from Sinbad's delay in vacating Pier 2.

In June 2014, Sinbad's requested an extension of the vacation of its premises from December 31, 2014 to an unspecified date which would be tied to WETA's commencement of the Downtown Terminal project. On December 12, 2014, the Port Executive Director, in consultation with the City Attorney as required by the Port Commission's prior approval, granted Sinbad's a one-time extension to vacate Pier 2

until March 21, 2015. Sinbad's accepted the extension and represented that "Sinbad's acknowledges that there will be no further extension of the [vacation date], regardless of whether the [Downtown Terminal project] is delayed, extended or otherwise changed."

On December 22, 2014, just 10 days following the Port's extension, Mr. Thomas Stinson sent another request to the Port for a 9-month extension contradicting Sinbad's previous commitment not to request further extensions. In their December 22, 2014 request, Sinbad's again offers its commitment not to seek any further extensions if this new request for an extension to 2016 is granted. Sinbad's paid its back rent with interest as required by the Settlement Agreement.

Next Steps

In accordance with its obligations under the BCDC SAP and Permit, Port staff is developing plans and specifications for building demolition, removal and disposal. The work includes hazardous material removal. In September 2014, an asbestos and lead survey was conducted confirming the presence of both asbestos and lead.

Port staff also is in the process of retaining a contractor to perform the demolition, removal and disposal work. Port staff is using the San Francisco Public Works' (SFPW) as-needed contracting pool to select the contractor. On December 24, 2014 bids were received for the work with AMG of CA, Inc. as the low bidder. The entire work, including the contractor's fee, the SFPW costs and the survey costs is estimated at approximately \$110,000.

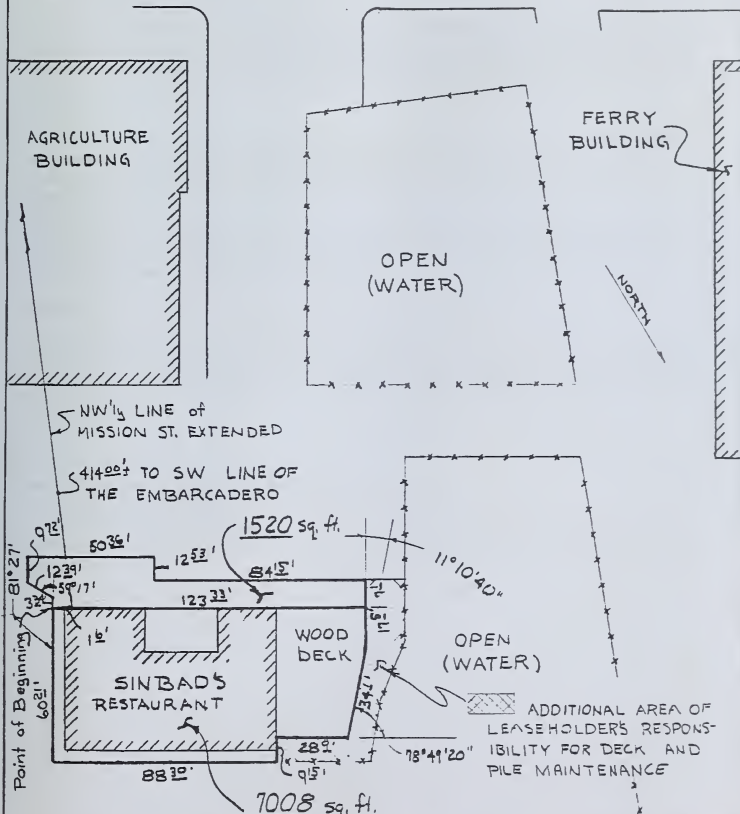
Additionally, staff of the Office of Economic and Workforce Development (Workforce Development) are prepared to work with Sinbad's employees to assist them as they need. In the event of a layoff, Workforce Development provides no cost outplacement services through Rapid Response and Job Transition Assistance Services. These programs help affected employees to quickly connect with Unemployment Insurance, COBRA, and job transition services such as job counseling, training opportunities, and job placement assistance. The layoff services, run through a Federal program called Rapid Response, help ensure the company is compliant with state and Federal WARN Act requirements, and aids employees in quickly transitioning to new employment, which may minimize the length of their unemployment insurance claims.

Prepared by: Monique Moyer, Executive Director
Elsa Lamb, Property Manager, Real Estate

Attachments

- A. Map of Sinbad's Premises including Parking Areas
- B. Excerpts from BCDC public meetings (February 22, 2012 and April 5, 2012)

THE EMBARCADERO



CONTRACT NO.

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

PIER 2
RESTAURANT LEASE

APPROVED: *Walter [Signature]*
DATE: 6-20-80
DRAWING NO.: 9045-2-6
SHEET NO. 3 OF 2

IN CHARGE OF DLH MADE BY DLH TRACED BY DLH CHECKED BY DLH DATE 6/19/80 SCALE 1" = 40'

Attachment B – Excerpts of BCDC Public Meeting Minutes

February 2, 2012 public hearing

Mr. Stinson addressed the Commission: You all should have copies of our position before you. This accelerated schedule became known to us as a very unwelcomed surprise. Most significant to our position is our recessed pier itself. Clearly, the facility will not provide a view of the race event. The job loss to our employee would be devastating. This wonderful event being a one-time only event should not displace a long-term tenant (39 years).

Our counter-proposal is that the building be removed more reasonably in January of 2015 which would seem much more fair to our operation. Our counter-proposal is far more important with the goal of WETA which seems to be the most important issue here. Should it be necessary, our parking area can be used during the event for crowd needs.

What we seek is a mitigated responsible solution that gives reasonable time to prepare ourselves for the future. We feel a fully-integrated approach should be entertained and it is our hope this Commission will invite the staff to redraft a fair and reasonable proposal.

Commissioner Gibbs further inquired: Are you interested in staying beyond 2015 if possible?

Mr. Stinson replied: I would be interested in staying until eternity but, of course, that would certainly be, not reasonable on our part. WETA is in my view a wonderful project which is a long-term permanent part of our Bay. When we get to that time period, I'm sure that we can find other means to give a good planning process and get one in place.

April 5, 2012, after changing the requirement to December 31, 2014.

Mr. Tom Stinson spoke: I wish to express our gratitude to the Commission for not turning its back on small business while tackling such larger matters. Sinbad's would like to be very helpful in any way should you need us.



SAN FRANCISCO PORT COMMISSION

**FEBRUARY 10, 2015
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

HON. LESLIE KATZ, PRESIDENT

HON. WILLIE ADAMS, VICE PRESIDENT

HON. KIMBERLY BRANDON

HON. MEL MURPHY

HON. DOREEN WOO HO

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MONIQUE MOYER, EXECUTIVE DIRECTOR

AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING FEBRUARY 10, 2015

1. CALL TO ORDER / ROLL CALL

Port Commission President Leslie Katz called the meeting to order at 2:06 p.m. The following Commissioners were present: Leslie Katz, Kimberly Brandon and Doreen Woo Ho. Commissioner Adams arrived at 2:40 p.m. Commissioner Murphy was not present.

2. APPROVAL OF MINUTES – January 13, 2015

ACTION: Commissioner Woo Ho moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. The minutes of the meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

At 2:07 p.m., Port Commission withdrew to executive session to discuss the following:

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: A portion of AB 4110, lot 1, also known as 901 Illinois Street, near the intersection of Illinois and 20th Streets
Person Negotiating: Port: Brad Benson, Director of Special Projects
*Negotiating Parties: Forest City Development California, Inc., Jack Sylvan
- b. Property: AB 4110, lot 1; AB 4052; 4111, lots 3 and 4; also known as the Pier 70 Waterfront Site, a 28 acre site generally bounded by Illinois Street to the west, 20th Street to the north, the Bay to the east and private property to the south (AB 4175), located near the

intersection of 22nd Street and Illinois. Also including a City option to purchase privately-owned property comprised of AB 4110, lot 8A and AB 4120, lot 2, an approximately 3 acre parcel bounded by Illinois Street to the west, 22nd Street to the south, and Port property to the north (AB 4110, lot 1) and east (AB 4052).

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development

***Negotiating Parties:** Forest City Development California: Kevin Ratner and Alexa Arena

5. RECONVENE IN OPEN SESSION

At 3:37 p.m., the Commission withdrew from closed session and reconvene in open session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose any information discussed in closed; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. **Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:** Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. **Announcement of Time Allotment for Public Comments:** Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

- A. **Executive Director's Report**

- Cancellation of the February 24, 2015 Port Commission Meeting

Monique Moyer - Our next regularly scheduled meeting of February 24, 2015 will be cancelled. It is unfortunately the same day as the annual California Maritime Symposium which is held in Sacramento and members of the Commission, the Executive Team and the Maritime Team, will be attending that Symposium. We were not able to find a second meeting date, so we've elected to cancel it. Our next meeting will be Tuesday, March the 10, 2015 at our regular time in this room.

- Patrol officers at SFPD's Central Station, under the leadership of Captain David Lazar, Honorees at the Fisherman's Wharf Merchants Association's Annual Crab Feed Dinner - February 5, 2015

The Fisherman's Wharf community holds an annual Crab Fest in February of each year and each year they recognize a member of the community that has in some way benefitted Fisherman's Wharf. I was so honored to be recognized last year. This year was their 12th Annual Crab Feed and the Fisherman's Wharf Merchant's Association chose to recognize the members of San Francisco Police Department Central Station, under the leadership of Captain David Lazar. Captain Lazar has been posted as Captain of Central Station for about two years and he has made a world of difference in the time that he has been there, together with Officers John Van Koll and Officer Kevin Worrell who walk the beat in Fisherman's Wharf. Last Thursday night at the Annual Crab Feed, they were recognized for their incredible service to the community. The San Francisco Police Department works 24/7. Fisherman's Wharf sees about 15 million people per year, so they have a very busy schedule there.

They've been incredibly helpful to the Port and to the merchants and to the community in Fisherman's Wharf. Captain Lazar himself has brought a community spirit. I've been to the hospital to visit guests of Fisherman's Wharf who've had injury in Fisherman's Wharf with Captain Lazar. He's a very personable man and has really taken the issues of Fisherman's Wharf very seriously for the benefit of all.

We were very pleased to be a part of the Fisherman's Wharf Merchants Association in recognizing the men and women of Central Station, led by Captain Lazar and with particular thanks to Officer John Van Koll and Officer Kevin Worrell. We congratulate everyone.

- Ferry Building Lighting Ceremony for the Pan Pacific International Exposition 100th Anniversary - March 3, 2015 at 5:30 p.m.

This year marks the 100th anniversary of the Pan Pacific International Exposition, from 1915 to 2015. As you may know, the Panama Pacific International Exposition was a World's Fair in 1915 which celebrated the

completion of the Panama Canal. It also was used to remind the world that San Francisco had recovered from the 1906 earthquake and was up and running and a welcoming place.

It was almost a year-long party in 1915 marked by the fact that the Ferry Building Tower, which was only a couple of years old in 1915, was still a teenager, was lit entirely and remained lit for the entirety of 1915. To commemorate the 1915 Exposition, the Ferry Tower will again be lit for the entirety of the year, running through December 4, 2015.

The lighting is made possible by sponsors and donors led by Taube Philanthropy, Platinum Advisors, Barbara and Bernard Osher, the Friend Family, Sterling Bank, AutoDesk, the Maybach Foundation, Michele and Chris Meany, Bay Crossings and Pier 39. There will be a ceremony in which the Ferry Building Tower will be relit on March 3, 2015 at 5:30 PM. Everybody is welcome to come and join the Mayor, the Port Commission, the California Historical Society and all of our sponsors in counting down and lighting the Ferry Building Tower.

- Final Report on Disposal of Drydock #1

Last Thursday, February 5, 2015, we got certification from a company called Sea2Cradle that Drydock #1 is officially completed. The project to dismantle it and recycle it has been officially completed. A certificate of successful green recycling has been issued by Sea2Cradle. Sea2Cradle is an environmental ship recycling consultant who we hired as part of our contract with Dockwise.

Dockwise came and picked up the drydock and shipped her over to a ship recycling yard in China where they have been working diligently to recycle her in a safe and environmentally friendly manner. I'm pleased to report that she has been officially dismantled. It is all done. I would like to thank our incredible team, led by Daley Dunham, Tom Carter, Peter Dailey, Rich Berman, John Davey, Aaron Golbus, and a whole bunch of other folks including maintenance staff who I haven't mentioned. It was a group effort but it was really pressed forward by Daley Dunham. Please join me in a round of applause for Daley.

- Maritime Air Emissions Inventory Update

Monique Moyer - I would like to introduce Jay Ach who is a Regulatory Environmental Specialist in our Maritime Division. Jay is going to give a very quick update on our Maritime Air Emissions Inventory and it's good news.

Jay Ach - As you may recall, in 2005, the Port did a Maritime Air Emissions Inventory. This was part of a larger Bay Area Ports Emissions,

series of Ports Emission Inventory. This was to get a handle on air pollution contributed to the Bay Area by the maritime industry, i.e. ports. In the past year, I've been working with the same consultants to update that, using year 2013 data. We have really great news to report. This is a sneak preview. The report's still in draft form but will be ready the end of this month.

The good news is that our emissions are down hugely. The bottom row is the final number. The top row of minus numbers is direct comparison of 2013 to what was totaled up in 2005. The bottom row shows shore side power and some additional calculations that weren't done in 2005. We came up with two sets of numbers so we could compare apples to apples first and then add in shore side power both from Pier 27 and Pier 70, the shipyard. The reductions are great, -34% in NO_x or Nitrogen Oxides, -61% particulate matter. This is diesel particulates and from a health standpoint, it's the most significant number of all. The Sulfur Oxides down 89% and a reduction of about 16% in greenhouse gasses. This is really great news overall.

There's lots of numbers behind it and I won't go through these. These will all be in the report. This table has some really interesting information. Down at the bottom, there's Port of Oakland emission numbers, again from 2005. They redid theirs in 2012. It shows that they've made big reductions also. Comparing the Port of San Francisco to the Port of Oakland, you can see that we generally have about 15-20% of what Oakland has in terms of emissions.

Also buried in this table is the fact that the PM (particulate matter), again the real health issue in all this, the equivalent reduction, the 61% that we achieved, that's about the same number in terms of tons of particulates as was emitted in the last years of the operation of the Hunters Point Power Plant. In essence we've managed emission reductions about equivalent to taking a power plant offline. These are not trivial numbers.

The report will go through different categories of sources at the Port. Trucks and other land-based equipment, cargo handling equipment, harbor craft, which is ferries, tugboats and excursion vessels, and then ocean-going vessels which is all the large vessels, the cruise ships and the ships that go to drydock. This shows that cruise ships in blue are a significant source, but more importantly at this point are the harbor craft, tugs and ferries. They've made reductions.

There are more state regulations that will be coming into effect and reducing these more in the future. These are really good news overall.

Monique Moyer - I wanted to also thank the Commission for your leadership and your support of many of our projects including our two

shore side power projects, one at Pier 27, which during this five year period was offline while we were building the new cruise ship terminal. The other is at the Pier 70 shipyard. In the next five years I would expect to see that blue line decline quite a bit. We're working on some ideas for the red line of the harbor craft. It's been an incredibly quick response in five years and we're really thrilled about it. I want to especially thank Jay for his leadership and dedication on this. Jay is retiring at the end of the month, which you'll hear more about, so this was his going away present to us and we really appreciate that. I hope that all Port staff as they leave the Port has great presents for us to leave behind. Thank you Jay, very much for that and congratulations.

Commissioner Katz - In terms of seeing such tremendous numbers, could you highlight just one or two of the things you see as what we did that had the biggest impact? The Executive Director mentioned the shore side power.

Jay Ach - The shore side power at Pier 70 shipyard and at Pier 27 both had profound effects. Surprisingly the system at the shipyard is about equal or maybe even more emissions reductions coming out of that, primarily because the ships, when they're in drydock or in the shipyard are there for weeks at a time as opposed to just coming for eight hours or 10 hours at a time. A lot of the other reductions were frankly not of our own doing. There were some state regulations that reduced the sulfur content in maritime fuels and those had a significant effect statewide. You see those in emission reduction numbers for all the California ports.

Commissioner Katz - Thanks for all your hard work and I'm disappointed to hear you're going to be retiring.

Jay Ach - I'm not disappointed in that announcement, but thank you.

- Pop Up Project at Seawall Lot 337

Monique Moyer - The pop-up public space at Seawall Lot 337 across from the ballpark is rapidly rising from the pavement. I happened to catch an interview on KCBS today and then I happened to get a good look at it. It's looking great. That project is under construction and should be open in time for opening day which is fast approaching.

- Sunday Streets Kickoff – March 8, 2015

On Sunday, March 8, 2015 is the kick-off of the City Sunday Streets program. It kicks off along the length of the Embarcadero.

- In Memorium - Frank Sabella, Sr., Original Owner of Sabella & LaTorre Restaurant

Monique Moyer - I wanted to mention some news about one of our long-term tenants, Frank Sabella. Francesco Sabella was born in 1912. He was one of 12 children born on Francisco Street, right across from the Port to his parents Luciano and Angelina Sabella and he has long been the owner of Sabella & La Torre restaurant on Taylor Street in Fisherman's Wharf. Sabella & La Torre serves lunch and dinner and they also have a crab stand which sells clam chowder, fried calamari and seafood sandwiches among other things. Sabella & La Torre was established in 1927 in the roaring '20 period, by Frank's father and brother, Luciano and his brother Antone. Frank acquired it right after World War II and ran it for many, many years. It's now being run by the fourth generation of Sabellas. In January, Frank Sabella passed away at the amazing age of 102 which just goes to show you that eating crab is really good for your health. Crab with San Francisco sourdough is even better for all of you that are conscious of your carbs, knock it off. We want to celebrate his life and his legacy at the Port of San Francisco and I would ask you to consider adjourning the meeting in his memory today.

B. Port Commissioners' Report

Commissioner Woo Ho - I want to comment and thank your staff for sending us the maritime report which is very good to summarize everything. I also wanted to comment, and I will add something to new business later. I think we are the victims of our own success. I happened to be asked on Saturday to go pick up my brother-in-law and sister-in-law at the cruise ship terminal and I have to tell you, it was a nightmare going down Embarcadero. As Commissioners we all need to understand what it is to walk in the shoes of the public and our clients in terms of the facilities that we have provided.

It took about 45 minutes to get from Folsom Street down to Pier 27. There was just a sign saying, "Expect Delays." We have to do a better job. There are definitely things that we can do to study the traffic situation to improve the congestion. As it happens, that day there were two ships at the Port - one was a 3,000 ship, Star Princess, and the other was a 2,000 passenger QE2.

You have 5,000 people trying to get off the boat in the morning and 5,000 people trying to get on the boat the same day so the congestion was just amazing. Once you got past the cruise ship terminal, the traffic lightened up immediately. Initially I thought it was everybody going to Fisherman's Wharf, and it wasn't. The pedestrian traffic was not that bad but there were a lot of people walking around with their luggage. The whole flow of traffic even inside the terminal was a problem. We need to do a better job and

study this more carefully. Unfortunately, I did not see the San Francisco's Finest directing traffic as well as I think they could. There were a lot of people and there were a lot of policemen out there, but they were not helping the situation. We need to provide a little bit more direction. In talking with the Executive Director, she also had a traffic engineer out there and commented on the same.

We want to get more passengers and more cruise ship terminal stops but the way we're going, this is not the way we can go forward. We are the victims of our own success in getting more cruise ship passengers but we have to do a better job. There are a lot of things that I would like to recommend, and we'll talk about it in the new business section. We could have staff look into getting a report on what to do going forward in addition to studying this.

The one last thing I want to mention because I asked my relatives about their experience is to make a suggestion to the Homeland Security/Immigration people about Global Entry kiosks. It took them over an hour to get through Immigration. There was congestion inside the terminal as well as congestion on the street.

I think that all of these people who cruise are frequent travelers so that Global Entry kiosks may be something that they can consider adding into the terminal which makes it easier for people to get through. That may have been a very off, unusual day to have so much traffic but it's when you stress a system that it's time to look at solutions. That's my report in terms of walking in the shoes of public out there in terms of what happens on Embarcadero.

10. CONSENT

- A. Request approval of travel for a member of the San Francisco Port Commission with members of Port staff to Shanghai, China to attend the Breakbulk China 2015 Conference and visit the Philippine Ports Authority, our newest sister port, for business development. (Resolution No. 15-02)

Commissioner Willie Adams recused himself from voting on this item.

ACTION: Commissioner Woo Ho moved approval; Commissioner Brandon seconded the motion. Three of the Commissioners were in favor. Commissioner Adams recused from voting on this item. Resolution No. 15-02 was adopted.

- B. Request authorization to award the Pier 33 North (Pier 33½) Pilot LBE Retail Opportunity to Queen's Louisiana Po'-Boy Café, LLC ("Queen's") and to enter into exclusive negotiations with Queen's for a lease subject to Port Commission approval. (Resolution No. 15-03)

- C. Request approval of the proposed Memorandum of Agreement (MOA) between the Successor Agency to the San Francisco Redevelopment Agency and the Port Commission regarding termination of the ground leases in the Rincon Point-South Beach Project Area, operation and maintenance of South Beach Harbor, Rincon Park and other improvements, and related financial terms through the December 2016 repayment of the South Beach Harbor Revenue Bonds. (Resolution No. 15-04)

Commissioner Brandon - I would like to disclose that with regards to Item 10C, the Delancey Street Foundation is a client of mine through Morgan Stanley. I consulted with the City Attorney's Office to make sure that there is no conflict and I have been told that there is no conflict.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 15-03 and 15-04 were adopted.

11. PLANNING & DEVELOPMENT

- A. Informational presentation by the Mayor's Office of Housing on citywide affordable housing plan.

Ricky Tijani, Development Project Manager – Thank you Commissioner Woo Ho for directing us to invite the Mayor's Office of Housing to make this presentation. It is a timely presentation given that the City is in a state of what I call, "All hands on deck," to address the pressing need for more affordable housing in the city. The purpose of this presentation is to provide an opportunity to inform the Port Commission and the public about Housing Office's on-going city wide Affordable Housing Program.

Their development, project pipeline, and the distribution and location of key affordable housing sites, including the potential affordable housing sites at the Port and an update on the proposed affordable housing development on Seawall Lot 322-1 which is at the corner of Broadway and Front Streets.

The Housing Office is continuously looking for strategies to meet the affordable housing needs of the city. I hope that the Mayor's Office of Housing's presentation will elaborate on these strategies and their collaborative effort in implementing these strategies. Teresa Yanga, Director of Housing Development and Sophie Hayward, Director of Policy and Legislative Affairs of the Mayor's Office of Housing are here to make the majority of the presentation. I will be handing over the presentation to them. In the end I will come back to wrap up on the presentation.

Sophie Hayward, Mayor's Office of Housing and Community Development - Thank you for inviting us to provide you with an update on MOHCD's

affordable housing pipeline as well as on the Mayor's housing goals. I'll be joined by Teresa Yanga, the Director of Development from MOHCD. I'll begin today by summarizing the Mayor's housing goals as well as the Proposition K that was passed in November and presenting the recommendations of the Housing Working Group. Then Teresa will provide you with an update on MOHCD's pipeline including the geographic distribution of sites throughout the city. She'll outline next steps as they pertain to housing projects at the Port.

In January 2014, the Mayor outlined a 7 Point Housing Plan. His goal then, as now, is to secure housing for 100% of San Franciscans. The plan focuses on neighborhood preservation and increased production of both affordable and market rate ownership and rental housing.

Specifically the plan focuses on eviction prevention, preservation of existing units, doubling down payment assistance plans for the first time home buyers, revitalization of public housing, building more affordable housing, and expanding housing options at all income levels, and then of course streamlining processes.

The housing crisis is real. It's affecting a broad swath of our city from the working poor to those who are solidly middle class. The Mayor set out a goal to produce housing at all levels. It's a total of 30,000 units with 10,000 affordable units and over half of those in reach of our low and middle income residents.

We are on track to produce well over 10,000 permanently affordable units, including traditional affordable units, financed from MOHCD utilizing federal and state tax credits. Those units allow us to leverage local investments at a rate of two to one. We're also rehabilitating close to 4,000 public housing units, constructing new public housing units through the HOPE SF program and stabilizing at-risk rental units.

We're tracking our progress toward meeting the Mayor's goals and we're actively working with the Planning Department, the Office of Economic and Workforce Development and other public agencies to ensure that we're working as effectively as possible.

As you also know, in November of 2014, voters overwhelmingly passed Proposition K. Proposition K reflects the Mayor's housing goals, the 30,000 unit number you keep hearing with its affordable housing ratio. Further, Proposition K sets as City policy that the City will attempt to ensure that 33% of all new housing produced in re-zoned areas will be affordable to low and moderate income households and that funding strategies will be identified to fund new affordable housing and to preserve existing rental stock in public housing.

A year ago, the Mayor convened a Housing Working Group consisting of a broad swath of stakeholders. Market rate developers, non-profit developers, advocates, funders -- there were over 100 participants in the working group. The working group set out to provide recommendations and to suggest solutions to help us attack the housing crisis from a number of different angles.

The key recommendations are summarized on this slide and I'll try to just touch on each of them. Existing neighborhoods need to be stabilized. Funding sources need to be expanded beyond the traditional programs. The band of affordability needs to be widened. It needs to go more deeply affordable and it needs to provide housing for higher incomes than we've traditionally reached. We need to add affordable units to new construction and we need to increase efficiencies wherever possible.

It's clear under this first bullet of neighborhood stabilization that we have work to do. Long time renters and residents across all income levels feel pressure. Tenants who have been evicted through the Ellis Act, now if they income qualify, have a preference in affordable housing lotteries. We are encouraging the preservation of existing rental stock through our Small Sites Program. In that program we acquire at market rate at-risk buildings that are rental and we convert them to permanently deed restricted affordable housing. We've also supported efforts to develop naturally affordable secondary units within the existing envelopes of buildings therefore adding to the city's housing supply. We have maintained our commitments to rebuild public housing which serves our city's most vulnerable residents.

The next bullet is to increase funding sources. We need to increase funding for affordable housing and this means that we need to continue to invest in affordable housing as well as to partner with the private sector to speed the acquisition of land, units and buildings.

We also need to find ways to augment funding to reach our middle income goals. MOHCD uses federal and state tax credits to leverage every local dollar that goes into affordable housing. Typically we leverage at least \$2.00 in tax credits for every local dollar that goes into affordable housing. Units produced using tax credits do require restricting the units to between 50-60% of AMI (Area Median Income), which means tenants can earn between \$48,000-\$58,000 for a family of four in order to qualify for our affordable housing units.

This means that in order to produce more moderate income housing for teachers, non-profit workers and other professionals who may make more than 50 or 60% average median income, but not enough to stay in the city, we need to find new sources and methods and that brings me to the next goal which is to widen the band of affordability.

As you know, a key goal of the Mayor's is to widen the band of affordable housing to include moderate income San Franciscans. Key strategies we are employing to address the moderate income affordability gap is to increase our available down payment assistant loans, we call it the DALP, to facilitate more first-time home buyers.

We want to continue to work with market rate developers to provide incentives to increase the number of inclusionary or affordable housing units that they provide on and off site in a market rate development. Those inclusionary units don't rely on tax credits, so we have a little bit more flexibility at the City level. We are also looking at legislative changes that would create a "Dial" so that we can incentivize market rate developers to provide more on-site inclusionary units that target higher income levels.

We also have our acquisition rehab strategy which allows the acquisition of rental, existing rent-controlled units, or the buildings with rent-controlled units and then converting them to deed restricted affordable units. I characterized this as a moderate income strategy because the units in our Small Sites Program, don't necessarily need to restrict rents to affordable levels at 50% Area Median Income. In this program, the rents in a building can average 80% of Area Median Income which means that there can be some units that are higher, some units that are lower, as long as the average is 80.

We also do want to pilot mixed income projects. As I described, our traditional affordable housing portfolio relies on tax credits to leverage funds. That means we have to restrict those units to approximately 50% of Area Median Income. One way to reach moderate income targets is to, within a single site, use the profit from market rate units to subsidize moderate income units that don't benefit from tax credits. This requires a single site that is large enough to support a mix of moderate, market and affordable units.

As the Mayor has mentioned a number of times, we are also looking at different ways to increase the affordability in new development. We are partnering with market rate developers and working with the Planning Department as they craft a local Density Bonus Program that would reward the provision of additional affordable units in market rate projects by providing in return a density bonus.

That's in addition to the Dial Program. Essentially we have two programs we're looking at relating to inclusionary. One would provide a bonus for providing, a density bonus for providing more affordable units and the other would let you trade providing more units but at a higher income target.

Another way to increase the number of affordable units is to increase the number of affordable units on publicly owned sites. Public sites can provide a combination of affordable and moderate income units when there are market rate units that can be used to subsidize the moderate income units.

A prime example of this is the Balboa Reservoir Site near City College which has enough space on the site to support a standalone, 100% affordable building as well as a mixed income building that includes market rate units that subsidize the moderate rate units that don't benefit from tax credits.

In re-zoned areas, higher affordability targets defined in Proposition K can be the new standard. An example of that is what we're looking with the Planning Department in Central SoMa where the goal is to achieve 33% affordability when the area is re-zoned.

Lastly, the Housing Working Group has also recommended a series of process and efforts I would characterize as good government efforts to maximize efficiencies at the review and permitting stage including things like the Priority Processing Executive Directive that is in place which allows housing development projects that exceed the base affordability requirements to jump the queue and get prioritized at all permitting agencies throughout the City.

The Mayor has accepted the recommendations of the Housing Working Group and now it's up to us to implement those recommendations through legislation, through finding the funding sources that will help us develop those new moderate income units and then to carry out our commitments. We are looking to introduce legislative amendments in the spring of 2015 for example to facilitate the Dial and to increase inclusionary units in market rate units.

We are continuing to work with the Board of Supervisors and stakeholders to define and develop new funding sources. We want to implement Prop K in however we can in re-zoning efforts. We will continue to work with regional, state and federal government officials looking at things like the tax credits. We will certainly advocate for changes that would allow us to reach higher income levels wherever we can.

Teresa Yanga - I wanted to highlight a few things about the Mayor's Office of Housing pipeline. As Sophie had pointed out, the Mayor's housing goal of 10,000 affordable units is something that we're working diligently to striving for.

To highlight what we have currently in our pipeline, we recently completed the construction or rehabilitation of over 400 units just in the past year. We currently have over 1,000 in construction or under rehabilitation. Some of those towers that you see are going on are all the various construction activity, some of that is on the affordable side as well. We plan to start construction or rehabilitation of over 1,800 units by the end of this calendar year and also commence construction for over 2,200 units as of next year. For the housing goal, by 2020 we'll have another 3,500 units to be complete by that time period.

Next is a geographic distribution of sites. To illustrate this most easily, we figured we'd try to look at it by Supervisorial Districts. To illustrate, of those 10,000 units that we have within our pipeline, there is quite a wide distribution except for over towards the West side. A lot is going on in South of Market.

A lot is going on in the Bayview but over 1,400 units that are being constructed or rehabilitated in the Western addition as well as in the Castro, the Mission and some even in North Beach and the Financial District. We also have over 300 units going on in the Pacific Heights and Marina areas.

As for the Port properties, as Ricky has mentioned, we've been at the Port Commission before with our MOU for Seawall Lot 322-1. We have been meeting with Working Group members that consist of members from the new Northeast Waterfront Advisory Group as well as other interested parties in the immediate vicinity of Broadway and Front such as the Barbary Coast Neighborhood Association, Golden Gate Tenants Association, Telegraph Hill Dwellers, NEXT Village SF and SoTel Neighbors.

We've met, since July, over 10 times to actually work on the goals and objectives of the requests for proposals. As you may recall from our MOU, we were required to issue that RFP within 12 months of the effective date of that MOU which means technically we should be issuing that RFP by April of this year.

For Seawall Lot 337 where the pop-up commercial space is happening, there are some product specifics that are still in negotiations and under development but we will be working closely with the developer as well as our colleagues in the Office of Workforce Development to work on the affordable housing component at Seawall 337.

As approved by the ballot, there is a requirement of 30% affordable, primarily through rental units, at Pier 70. The expectation is that there will be 80 rentals using what we call 80/20 deals, 80% market rate with 20% affordable and then there will be one parcel dedicated to 100% affordable housing.

As for next steps on Seawall, we will be continuing to work with our working group members to refine the goals and objectives of our RFP. We will, as required by our MOU, be coming back to the Commission prior to the issuance of the RFP so that you can actually see the RFP itself. Our goal is to issue by April, pending our continued discussions with the neighbors.

Peter Cohen, Council of Community Housing Organizations - It was an interesting presentation. It's also helpful to understand where we are, as well as the 30,000 goal looking forward. In the most recent housing element, which is the City's general plan housing policy kind of constitution which just

finished in 2014 which tracks how well we've done in our housing production, we only met 50% of our affordable housing needs.

On the one hand we have a Mayor's housing goal, but I want to emphasize that we have an incredible affordable housing hole as well that we are not out of yet. The acute need to increase affordable housing production, particularly for working class and low income folks couldn't be greater in this kind of real estate boom period.

It's our coalition's position that publicly owned sites should be used for affordable housing. When they've reached their point of utility for whatever public use, parking lots or older buildings, it's a very precious resource. We should use it smartly for the kind of affordable housing need that we cannot get through any other means.

There's another more pragmatic reason for that financially is that we can leverage, as you heard from staff's presentation, anywhere from \$2-3.00 for every local dollar that we invest in that kind of housing development. That is why, for those few publicly owned sites, we sort of fundamentally, bottom line say they should be used for affordable housing, whether that's seniors or families or transitional youth. We get the most, if you will, for our buck and serve the greatest need.

There are circumstances where you have larger sites. The City has been talking about Balboa Reservoir as an opportunity to do a mix of housing because you literally have a large area. As you heard again from staff, in addition to affordable housing that's publicly subsidized, you can use part of the site for market rate that can cross-subsidize your moderate or middle income housing. That's a great opportunity. Seawall 332-1 does not provide that scale, but that's an opportunity to do it a city wide basis.

The question perhaps comes up, "What do we do about our moderate or middle income housing needs in San Francisco?" We advocate for those tremendously. You heard the various programs. This mayor has made it a very strong commitment to increase resources and programs and flexibility for those needs. The one thing we hear most often is, "First-time home ownership. How do I get in to first-time home ownership?"

Two years ago, we doubled the down payment assistance program. We have a \$30 million down payment assistance program including special provision for teachers and firefighters and first responders. That is probably going to increase dramatically again in the Mayor's housing bond which he's been talking about. Down payment assistance is a core programmatic goal.

You also heard staff talking about increasing incentives for market rate developers, private developers who can build at that middle income scale to do more units. That's where we think you can get the most bang. I would

finish with the community has to advocate for those things to happen. In the same way we advocate for low income housing needs, the communities have to advocate for these kinds of programs and resources for the middle income housing needs and that's where we think you should put your energy. Seawall Lot 322-1 is a low income housing site.

Wing Hoo Leung – Spoke in foreign language.

Dixon Li, interpreter - My name is Wing Hoo Leung and I'm speaking on behalf of Community Tenant's Association (CTA). We are the city's largest grassroots tenant organization with over 1,300 members who are all low income, non-English speaking seniors. Today we have brought over 50 members present to advocate for development of senior housing on Seawall Lot 322-1.

Rent in San Francisco is already among the highest in the nation. Many low income families have no way to afford market rate rent. While there is a need for below market rate housing, many of these units require minimum monthly income of \$2,000 or more which are a great obstacle to many of us. There are many working families with multiple income earners who still does not meet this requirement.

For seniors who have even less income on a fixed SSI income, applying for below market rate housing seems almost impossible. Our members know very well that most affordable housing are not actually catered towards low income communities.

It is also important to note that it has been a long time since the last development of senior housing in District 3. While our city continues to evolve, we need to make sure we're taking care of the needs of seniors who are struggling to live here. This is why CTA strongly urges members of the Port Commission to specify the development of the Seawall Lot 322-1 to be low income housing so that District 3 can truly remain affordable to everyone, especially our seniors. Thank you very much.

Theresa Flandrich - I live in North Beach and I am witnessing a lot of the evictions in our neighborhood about 30 just within four blocks of my own home. I'm concerned about this continuing and where will these people go? Most of those who have been evicted are now in Petaluma, Santa Cruz, Santa Rosa because they could not afford to live here. These are seniors who were once considered middle class and are no longer middle class given the skewing of the incomes today. I want to make sure that if neighbors are going to be forced out of their homes that they at least be able to remain in their community, especially when they are in their 80s, in their 70s. Having a low income housing set very near to North Beach is of great importance to me and to my neighbors. These are people who have worked really hard. These are former engineers, nurses and teachers. These are the people who have

been the backbone along with all of the service people. For low income housing, if the income is less than \$46,000 is going to be really important for this group of people, the 28% of North Beach right now.

Marla Knight, co-chair of North Beach Tenant's Committee - I'm kind of concerned, first of all I'll say I'm very happy to see the development of a Small Sites Program. As I understand that, that's probably like the Community Land Trust which has been a good program, because we don't have to wait for the buildings to be built. Because as Teresa said, we're seeing so many evictions in North Beach and the situation has gotten even tighter because many of the units have been converted into short-term rentals. What I'm also concerned about, there seems to be a gap between what's called "affordable housing" which was noted as being \$48-54K a year for a family of four. I would guess that would be in the \$30s for one person. The "moderate income" never seems to be identified, or if it is, you get many different numbers. The latest one I got was around \$54,000 for one person. Now, I'm a retired City College teacher and I fall between that, I'm not any place with that so I wouldn't be eligible for any kind of housing. This is particularly important as you all know that San Francisco is getting older all the time and there are going to be more and more retired people like myself who probably have incomes like mine which is in the \$40s. Yet we do not fall in the low or affordable housing, but we have too little for moderate.

Jonee Levy - I'm with NEXT Village San Francisco. We are an aging in place project in District 3, in the Northeast Quadrant, mostly District 3 but we do a little work in the Marina and a little work South of Market and we will get larger I'm sure. But the loss of housing in District 3 and it hits seniors that are making, according to the 2010 census, \$48,500 a year is the median income for somebody 60 years of age and older. Forty percent of those people live alone, so when you talk about \$48,500 for four people, you're talking about seniors who are living on \$48,000 a year only because they have rent control. If they lose their housing, they are gone. I have to disagree with Mr. Cohen and I really don't like to do this but we have new senior housing in the Broadway Family Housing. We have new senior housing in the Solomon Project across the way from that. We have lots of senior housing at North Beach Place which is not brand new, but it's pretty new. We have always welcomed affordable housing in the Northeast Quadrant. Many of us have worked to make those things happen but now our friends and our neighbors are losing their housing and if we can't have housing for moderate income people who are making \$45,000 a year, we are not looking at having a city that's diverse. What we're looking at is a city that has very wealthy people and very poor people and it doesn't matter how old they are. That is the bifurcated city of the future if we're not providing moderate income housing. Seawall Lot 322 is a great opportunity to do this. At this point, let's try it. Let's see how it works. Let's learn from this and build some more moderate income housing that is alongside and mixed in with market rate housing and affordable housing.

Commissioner Katz - Director Moyer, could you explain just briefly for the public what Seawall Lot 322 is and what the Port has done with it?

Monique Moyer - Seawall 322-1 is a lot that is in, across the Embarcadero from the water side. It was once upon a time used to support the cargo activities of the water side. It has been used for surface parking subsequently. There was a proposal to build a hotel on it that has failed. The Port has offered Seawall Lot 322-1 as an affordable housing site as part of the overall need of the city but because it is a need that makes sense within the existing neighborhood.

Commissioner Katz - I do want the public to note that this is something the Port does care deeply about and the Port wants to be an active participant in the city in terms of sharing the opportunities to create more affordable housing for our city as the needs have certainly been eloquently expressed.

Commissioner Brandon - I want to thank Ricky, Sophie and Teresa for a great presentation. I'm happy that following the Mayor's example that we really need to focus on affordability and the housing, because the housing prices have really gotten out of hand. I wanted to go back to the geographical distribution of sites. What percentage of this is of overall rehab construction, is this out of 20,000 or 100,000?

Teresa Yanga - I would say roughly 5,000 of those units are rehab. A lot of that is actually public housing that we're converting into private ownership and we're going to be rehabilitating those units for a long time because of our troubled Housing Authority but of the balance is all new construction.

Commissioner Brandon - Right, in overall construction not just for affordable housing.

Teresa Yanga - Relative to the rest of the housing production, unfortunately, we don't have the housing pipeline with me that the Planning Department produced but we can get back to you on that.

Commissioner Brandon - It would be great to know by district.

Monique Moyer - Our two projects (SWL 337 and Pier 70) are about 3,000 units.

Commissioner Brandon - How many will be affordable housing?

Monique Moyer - We're looking at 30% at Pier 70 and we're still working on 337 but presumably at least the mandate of about 33%.

I want to say that number for District 10 is pretty high. What do you think? I think the number of housing units being built far exceeds what's being shown there.

Teresa Yanga - Yes.

Commissioner Woo Ho - I requested this report because we wanted to put in perspective the housing needs of the city versus what the Port can contribute. Obviously we have a very specific low income housing project which we have approved and have an MOU with the Mayor's Office to move forward but we have opportunities with some of our larger projects.

The 30,000 units that are in the pipeline, are those all new housing, of which, 50% we're trying to aim for moderate and low income affordability? That's the definition. So when you asked the question, I thought, you were asking, "How many projects are on the board right now?" It's 30,000.

Commissioner Brandon - No.

Commissioner Woo Ho - Then, so I'm not sure I understand the 30,000.

Sophie Hayward - The 30,000 units is the total number of new or rehabilitated units defined or identified in the Mayor's housing goal. That's not referring to the actual pipeline that Planning has of entitled or pre-entitled units. It's the Mayor's goal and of that goal, 50% will be affordable.

Commissioner Woo Ho - What is the number? I would concur with Commissioner Brandon, to understand how much housing is being created regardless of how it's categorized in the city.

Sophie Hayward - I'm happy to get back to you with that number from the Planning Department. I don't have the total number from the Mayor's Office of Housing but I will get the pipeline information and get back to you with that.

Commissioner Woo Ho - How is the 30,000 different from the overall? I understand the 50% but how is the 30,000 different from the overall housing pipeline?

Sophie Hayward - I'm very hopeful that the 30,000 number, which is the Mayor's goal for production by 2020, matches the pipeline but it's an identified goal, it's not reflective of the pipeline as it stands now.

Commissioner Woo Ho - We get down to what you're saying on slide four which is the 10,000 plus the 5,000 of I'm interpreting accessible to working families as moderate income, because that means we have 15,000.

Sophie Hayward - The Schlage Lock Development was recently approved where almost 1,700 units will rent below middle income levels. We also have the Hunters Point Shipyard homes that will likely be priced, those are the ownership units that will likely be priced at below \$500,000 per unit. We have pipeline coming that is not necessarily part of MOHCD's portfolio but that will still be accessible to working families.

Commissioner Woo Ho - So if private developers are developing houses, they're not necessarily within the 30,000 goal?

Sophie Hayward - The 30,000 is a mix of market and affordable.

Commissioner Woo Ho - It does not give us what's going on overall in construction of new housing units in the city that the Planning Department is processing one way or another. We would like to know that number just so we can get a perspective on that. What is optimal size in order to have a mixed housing project?

Teresa Yanga - In terms of sheer number?

Commissioner Woo Ho - Yes, in terms of the building has to be of X number of units before it makes sense to have mixed housing.

Teresa Yanga - For our purposes for mixed income, we are looking at a mix, of an overall portfolio no matter how sized the project, that 50% of the units would be affordable, with another 30% at below market rate. So the middle income band, and then 20% would have to be market rate.

Commissioner Woo Ho - I'm just saying if you were a developer and you're trying to figure out how you could meet some objective. You mentioned 322 is too small to do mixed income.

Teresa Yanga - Correct, it's usually probably at the aim of more 200-300 units to have a more optimal size. When we looked at Seawall 322-1, the maximum density we'd be allowed given at the height limits is only about 114 units.

Commissioner Woo Ho - Another question on the geographic distribution. As we know, Treasure Island is going through development and we have a lot of development going on around Candlestick Park. How does that figure into this housing plan and goal?

Teresa Yanga - At least for Treasure Island and the Shipyard, because there is still a challenge of having to finance those, those are probably longer term, beyond the 2020 housing goal of the Mayor. We are still trying to figure out how to deal with the financing of getting those projects' units finished but there are units that are in that overall 30,000 pipeline that are part of the Shipyard. Treasure Island that is a little farther out.

Commissioner Woo Ho - Seawall Lot 322 is probably on your radar screen as what you've counted so far. Pier 70, because we're still working through Forest City, that 30% number in terms of the number of units, is it factored into your pipeline numbers at this point or not?

Teresa Yanga - It's not necessarily because we haven't pinned down all the exact numbers. We're looking at things beyond those.

Commissioner Katz - I'm piggybacking on some of Commissioner Woo Ho's comments which for lack of a better term are in legal parlance or what we call "leading questions." I think one of the reasons we've called for this hearing is because we have some projects coming up along Port property and we want to figure out ways that we can be creative and look to be good partners with the rest of the City as we work to solve some of the crises we're facing. I know we want to continue efforts looking at following up on some of the questions Commissioner Woo Ho was asking as we move forward. Thank you for working with us on that.

Commissioner Adams - I appreciate the report. It's interesting to me. I heard what everybody here had to say today because I realize that we live in the most expensive city in the United States. We have surpassed New York now and I don't know how long this bubble's going to last. Every time you have a bubble, you have a bust. I know the Mayor started with, and the Board of Sups, raising the minimum wage but it's a shame that people can work in the city but can't afford to live in the city and that's kind of troubling to me. I don't think we can put it all on the Mayor. This needs a coalition of City Hall, business, the tech companies, the citizens. We all have to have a coalition to work, because this is a city wide program.

We all have to be stakeholders in this. Sometimes we want to say, "Well, it's up to the Mayor." No, it's up to all of us. The businesses, they need to ante up, whether it's bonds because we're the best city in the United States and how can we afford to have senior citizens that have lived their whole life here and not be able to stay here anymore? It's just unacceptable.

I even look at the homeless problem that we have in this city. It's just sad. You probably have more rich and wealth in this city than almost any city in the United States and we're having this conversation. Morally, we have to do something about it and put a task force, and work with the Mayor, and get the businesses, even if it's a bond.

I look out here and I see a lot of the senior citizens, and even though the average age in San Francisco is 27, one day, if you're going to live to be an older person, you want to be able to live to enjoy your life in this city. There's something about the freedom that we have about living in this city. We have to do something about it.

To everyone that came out today, I really appreciate you coming out. I get it. I'm a working class guy myself. I'm a union guy. I'm blessed. I realize that if I didn't make what I make, I couldn't afford to live in this city. I just could not afford to live in it. I came from Tacoma, Washington where your house payment's like \$800 a month and I get it.

There's such a gap here in this city and I hope the Port and we do what we have to do. We need to be in a coalition with the Mayor, the Board of Supervisors and businesses. These businesses make a lot of money in this city and you have to put something back into this community and build these kinds of relationships. They have to ante up to.

I'm glad that Commissioner Woo Ho wanted to have this presentation. This is an ongoing issue and this is something near and dear to my heart. Last month, we were talking about the homeless people on the waterfront. I run on the waterfront every morning and I see homeless people out there. I can't ignore that. It's in my face. When I hear people who have lived here their whole life, and they're on a fixed income and they say that they're going to have to move outside the city, this is troubling to me.

We have enough wealth in this city to fix it, and to put a coalition together, put bonds together to help the Mayor, help City Hall, and help the Port and for every citizen to pitch in so we can bring our city up to the standard it needs to be where people in this city can afford to live in this city and contribute.

Monique Moyer - Thanks to the beauty of cell phones, I was able to reach the Planning Director John Rahaim and he reports that there are 37,000 units which are in the pipeline. A total of 50,000 units are entitled or in the process of being entitled, 24,000 or half of that are in three big projects at the Hunters Point shipyard, Park Merced and Treasure Island. The remaining balance is in smaller projects such as at the Port.

Commissioner Katz - I want to add my comments and thank folks from the Mayor's Office of Housing for coming over and doing this presentation, for all the work that has gone into it. There's no one easy solution but it's deeply appreciated the work that's been done. I also want to thank everyone who turned out today to express their concern. It really is a crisis that we're facing here in our city and all of us are touched by it.

As we sit and try to look at some solutions, I wanted to see if I could ask a little bit more specifics. On slide number 10, in terms of allowing developers to Dial up their inclusionary requirements, I wondered if you could you speak to that just a little bit more?

Sophie Hayward - After the passing of Proposition C, the Housing Trust Fund, when market rate developers produce 10 or more units, they are required to provide 12% of units on site as affordable units or they can pay a fee, or they

can provide 20% of the units off site as affordable. Those units can be rental or ownership. If they're rental units, they are rented at 50% Area Median Income or 55% Area Median Income. For one person, 55% of Area Median Income is \$37,350. For a family of four, that goes up to \$53,400. That's what the rental target is. Through the Dial, which would require legislative change that we're pursuing, a developer could provide a greater number of units, so more than 12%, but rent them at a higher income target. Rent them for more money that could Dial up as high as 90% AMI. That is \$61,150 for a single person household, \$87,400 for a four person household. You can also provide inclusionary units that are ownership and those ownership units are priced at between 70-90% of Area Median Income and the Dial would work in the same way or similar way. It's a legislative proposal, so it will go through the full review process, but that's the concept behind it.

Commissioner Woo Ho - How much is in the housing fund as a result of this existing Dial up and the 20% if the developers put that fee aside? How much of that fund has been used already to develop affordable housing?

Sophie Hayward – That's two different issues. The Dial does not yet exist. That's a legislative proposal.

Commissioner Woo Ho - But I thought the 20% already exists.

Sophie Hayward - The 20% off the inclusionary program exists and that can be broken into three categories. You can fulfill your obligation as a market rate developer by paying a fee or by providing the units on or off site. The fee goes into our city wide Affordable Housing Fund. I don't have the balance for that right now. I can certainly get back to you with that. That is in addition to the Housing Trust Fund which was passed at the ballot which will grow to \$50 million. That's in addition to our regular fees. I can get back to you with the balances for each of those if you want me to do that.

Commissioner Woo Ho - How actively it has already been tapped into to know as a future financing source.

Sophie Hayward - Our Affordable Housing Fund is critical to the production of our traditional affordable units. When I say we have a huge portfolio of units that are targeted at 50-60% AMI, I tout often the power of leveraging through state and federal tax credits but we still have to put in that \$1.00 to get two additional dollars. That's what we have always used our Affordable Housing Fund for.

The Housing Trust Fund opens up new opportunities. Our Affordable Housing Fund has been in constant use. The Housing Trust Fund was created in 2012 and it's in use for programs as we speak but I can get you the balances if that's helpful.

Commissioner Woo Ho - Aren't there tax credits that are generated so that if you have a non-profit developer that can come in, and then they in turn can also lay off those tax credits to investors who are interested?

Sophie Hayward - That's correct. You can leverage using the tax credits and you can also take advantage of property tax exemptions if you provide your units at a low enough AMI.

Commissioner Woo Ho – Yes that is how some of the affordable housing has been developed in the past and that model still works.

Sophie Hayward - It does. It's important to note that does depend a lot on market rate developers and the fees that they generate in addition to units.

Commissioner Katz - On slide 11, "Creating a Density Bonus Program," how would that potentially work with any of the sites that we have up at the Port?

Sophie Hayward - The density program is another incentive that we are hoping to develop on a local level to persuade market rate developers to voluntarily provide additional units. The way that would work is they would offer to provide above and beyond their base requirement in exchange for the right to exceed the density as zoned so that could be either in conjunction with or separate from the Dial. We're working with private developers to model in advance how the two programs would be most useful and produce the most units.

Commissioner Katz – Please work with Port staff to see if there's any scenario where that might be helpful in some of our upcoming potential projects and sites. Similarly, as the next item, using publicly owned sites for affordable and mixed income housing. Obviously from the Port perspective, we'd like to try to strike that balance. As you've heard, we've worked on Seawall Lot 322-1 because we did want to have more affordable housing but we have some constraints. I'd ask if you could work with Port staff to see if there's some added scenarios or ways there could be some support for some of the forthcoming projects we have.

Sophie Hayward – We will certainly work with Port staff.

Commissioner Adams - Proposition K says, "Mayor and Board to create a funding strategy to be able to purchase land to preserve existing rental units and rehabilitate public housing." Can you talk a little bit about that?

Sophie Hayward - We are committed at the direction of the voters to find new ways to fund affordable housing, to generate more dollars to go into our Affordable Housing Funds but it's also looking at ways to crack the puzzle of the middle income gap. There is a gap. I alluded to some of the trouble we

have meeting that is related to the fact that we can't use existing federal and state credits to fill that hole.

We've been working through the Housing Working Group, and we continue to work. I don't have an answer for you right now, but we continue to work with financial institutions and with market rate stakeholders to find ways that we can crack the middle income puzzle. One of those ways, in looking at public sites for example, certainly as Teresa alluded to we need sites that are large enough to support multiple income levels. We also need to be able to have a site that can support market rate units that will subsidize the middle income units because the tax credits can't.

Commissioner Adams - When will you be back to update us on what's going on? I'd love for you to come back and provide an update. I really appreciate this information.

Sophie Hayward - We're always happy to come back. Officially, associated with Seawall Lot 322-1, we'll be back in advance of the RFP being released but we're always happy to come.

Commissioner Katz - Thank you everyone for showing up and attending the meeting today.

12. ENGINEERING

A. Informational presentation on the Port's Load Restricted (Yellow with Green Hatching-Tagged) and Fully Restricted (Red-Tagged) Facilities.

Winnie Lee, Port Engineer – I'm giving an informational presentation on the Port's load restricted and fully restricted facilities and will provide a status of a few damaged facilities that need repair in the near future.

The Port's Facility Assessment Program, also known as FAP, is an on-going program overseen by Engineering. Much of the Port's infrastructure was constructed over 100 years ago. Due to limited funding, Port has over \$1 billion in deferred maintenance. This program helps to prioritize the massive amount of required repairs. We inspect, categorize and record the structural conditions of over 350 structures under Port jurisdiction. The program is used to determine capital funding for public safety improvements. This map shows you a snapshot of the structural rating for all the Port facilities. As you can see in the picture the color rating varies from green, yellow with green hatching and red for different Port rating.

Green rating is used for facilities with unrestricted use. These facilities are not perfect and may need some repair or minor barricading. Yellow with green hatching facilities have reduced the limits for safe for occupancy. Adequate load limits signage and barricades are in place. Please refer to Exhibit #2 in

the Commission Report for a list of these facilities. A red rating is given to unsafe facilities that are barricaded to prevent public use and access. Please refer to Exhibit #3 in the report for a list of red tagged facilities.

Since our last presentation in 2013, there are no new red tagged facilities. I will now give you a status of a few damaged facilities that need repair in the near future. These facilities have been on Engineering's radar and we are concerned about them.

The first project is at Wharf J9. The photo on the left is looking at Wharf J9 from Scoma's Bridge. The photo on the right shows a portion of the damaged timber seawall under Wharf J9. Some of the lagging has deteriorated. Wharf J9 is a critical structural support for the foundation of many Fisherman's Wharf buildings along the seawall. Further deterioration of the seawall could cause fill from the landside to go into the Bay and buildings along Wharf J9 to have settlement.

The Port's consultant is finalizing the design. Port maintenance is anticipated to start construction some time in Fiscal Year 2015-2016. The estimated cost of material for these repairs is \$2 million and it's currently funded.

The next project is at Pier 92. Pier 92 is a very important pier at the Port. This photo shows an example of a missing pile at Pier 92. All of the wood piles at Pier 92 have incurred dry rot. Port Engineering has completed the April repair design and the project is currently on hold pending approval of Army Corps permit. The permit is estimated to be issued in 2016. The project material cost is \$2 million and the project is currently funded with Port capital funds. Port Maintenance will perform these repairs.

I will now go over a few examples of concrete sub-structure damage at various facilities. The photo on the right shows a typical cruise ship call at Pier 35. The photo on the left shows the underside of the Pier. You can see the rebar corrosion in the concrete beams. Port Engineering has nearly completed the structural substructure repair drawings. The Port is exploring various funding opportunities and will start construction in the near future. The next facility includes the aprons around Agriculture Building. This photo on the left shows the deteriorated South and East Apron around the Agriculture Building. The photo on the right is a close-up of the East Apron. Both the South and the East Apron show significant deterioration. You can see spalled concrete and exposed corroded rebar under the slab deck and concrete beam. The reinforced concrete is definitely compromised.

The South and North Apron are currently restricted to light passenger vehicles, and no vehicles are allowed on the East Apron. The estimated repair is \$2 million and the repairs will ensure unrestricted use of these Aprons. A portion of the East, South and North Aprons are expected to be

repaired as part of the future Water Transportation Authority, WETA, Ferry Terminal Expansion Project.

The Aprons serve the adjacent Agriculture Building. This photo is a close-up of the slab deterioration under the Agriculture Building. Again, the slab rebar is missing in various locations due to corrosion. The salt from the Bay attacks the rebar bond in the concrete. The rebar oxidizes and the product is rust. The rust then pushes against the concrete cover, and spalls the concrete leaving exposed, damaged, rusted rebar. Repair of deteriorated sub-structure under the Agriculture Building will be considered for prioritization in the near future.

This is a photo under Pier 29, right next to our new cruise terminal. The photo shows deteriorated concrete beams. Inspection revealed substantial deterioration of the decking, beams, girders and slabs. The Bulkhead Substructure Repair Project will have an estimated cost of about \$2 million. An additional \$9 million will be needed to repair the rest of the substructure. The Bulkhead Substructure Repair Project will be considered for funding in Fiscal Year 2016-2017.

The photo to the left is what someone would see on a boat approaching from the Northwest. The photo on the right shows an example of deteriorated concrete beam framing into a pile under Pier 54. Pier 54 has many damaged beams. At present, no funding source has been identified for the repairs. The estimated cost to perform the repairs is \$21 million and this includes both substructure, gravity repairs and seismic strengthening.

In conclusion, the Facility Assessment Program provides valuable information related to structural condition to Port facilities. We have over \$1 billion of unfunded projects that are listed in the Commission Report. The program is used to make critical decisions regarding public safety and capital allocation.

Commissioner Woo Ho - Thank you for your report and I think you've convinced us with the photos in terms of the conditions of the piers. I'm looking for a little bit of a bigger landscape picture. I did hear you say that \$1 billion worth of all these various yellow and red tagged facilities are not funded. I'm trying to correlate, since we are also going through the Capital Plan later. In some cases you indicated if there's funding this year or if it's in the Capital Plan.

Just getting the big picture is to understand of the billion dollars that you say are not funded, are they not even included in the Capital Plan? I understand about the prioritization for the Capital Plan but there's one other category that I would like to see in this kind of report going forward. I understand the public safety issue which obviously we have to be aware of and is paramount.

In terms of categorizing which ones should be prioritized, some of them are obviously with piers that have some revenue generating purpose and others are for the apron or the public access side. We need to understand and differentiate those that are prioritized, not beyond public safety but more into which ones are supporting the revenue generating piers versus the public access or the apron so we can understand how to differentiate the importance because it's very clear we are not able to do everything.

Red tag means that it's very unsafe to obviously be on those piers. Which ones have we finally made the decision that we're just going to abandon and do something. I was somewhat discussed but not clearly finalized. It says we are not planning to do anything right now, but when are we going to come to a conclusion about those red tagged piers?

Having a joint decision, not just from Engineering but from both the Finance and the overall business side, what are we going to do and the ultimate disposition of these? I think this is the first step in a funnel that keeps going through a decision process through the Port, correlating to the Capital Plan, what are we planning to do long-term? That would be helpful if we could connect the dots a little bit more between the various departments within the Port to help us at the Commission level understand where we're headed overall.

At this point, not all of the things that are identified here so far are on the Capital Plan. Some are and some are not. Somehow we need to figure out what to do then.

Monique Moyer - You mean, funded.

Commissioner Woo Ho - I think you have things in the Capital Plan that are not funded as well.

Monique Moyer - Yes, that's right.

Commissioner Woo Ho - I'm not sure everything on here is on the Capital Plan in terms of needs, but some of them are. I'm trying to correlate between what the Capital Plan says and what this says and how we connect between the two different reports and how we categorize these in the future so we have a better plan of understanding, besides prioritizing public safety.

Monique Moyer - We do at the staff level, and that's what we're trying to demonstrate with all of these items. All of what is in Winnie's report is in the Capital Plan as an identified need. It's not all funded. She's given you a chart that shows you which ones are funded.

Commissioner Woo Ho - That's slightly different from what I heard or what she answered earlier.

Winnie Lee - Sorry. What Monique said was right.

Commissioner Woo Ho - So everything on the yellow and red tagged is in the Capital Plan.

Winnie Lee - They're on the Capital Plan but some of them are not funded.

Monique Moyer - Elaine will explain when she comes up but the Capital Plan identifies the universe of everything we know as a need. The report that Winnie is giving you helps us to understand the trajectory of our green to yellow, yellow to red and hopefully not have surprises where we have to close down a pier unexpectedly so that we're forecasting that these things are changing.

The annual Capital Plan has a plan of finance which has two sources of funds that come from the Port: (1) the Port operating revenues, and (2) the Port debt proceeds. The annual, or bi-annual operating Capital Budget helps us to spend our money, as opposed to the other sources of money, such as grants, developer financing, tenant financing, etc.

I understand your request Commissioner to try to draw a line better between how those reports integrate, but I want to assure you that as we go through making our recommendations to you, what to finance with the Port's funds, Winnie's report is a key part of that.

Commissioner Woo Ho - Well, that's what I said, the beginning of the funnel. It's very important.

Monique Moyer - Yes, you said it very well. I just wanted to confirm that.

Commissioner Woo Ho - The only other thing I wanted to say is that as you look at these things, particularly the red tag ones, if we can understand which ones are critical because this particular pier is in support of revenue, so we obviously should know it's a prioritization in addition to public safety, which is obviously very important too. I'm not denigrating that at all. It's just so we can understand how you prioritize the projects

I'm sure you do and you may do that internally but we at the Commission level don't have visibility in terms of the decision tree process and your prioritization process, which helps us to understand how we can help you in terms of giving you feedback.

Monique Moyer - With respect to Winnie's report, it doesn't change that quickly but there's a report given to you every year and we do try to time it with the Five Year Financial Forecast so that we're reminding you and the public and ourselves for that matter, the state of disrepair of some of our more

critical assets. I would say Winnie's report is a summary of our most critical assets.

Commissioner Brandon - Thank you Winnie for such a wonderful report. It's great to hear that there are no new red tag facilities but have any changed from green to yellow since the last report?

Commissioner Woo Ho - Or also the other way, yellow to green.

Joe Roger, Structural Engineer for the Port - We have had some successes. The most recent one is the Pier 50 Valley where we put two vehicle lanes in and a bike lane.

Monique Moyer - Winnie's report did show the Pier 19 South Apron. That one changed. We still have the North Apron to do.

Joe Roger - The Wharf J7-J8 is a work in progress.

Winnie Lee - It will be completed by Friday, February 13, 2015.

Commissioner Brandon - Are these from yellow to green or green to yellow?

Monique Moyer - Yellow to green. I don't believe we've gone from green to yellow anywhere.

Joe Roger - Green to yellow, not significantly. Just in minor areas.

Commissioner Brandon - That's good news too.

Monique Moyer - Pier 31, which is a very big one. As you may recall, you helped us to decide to spend bond funds on that one. That's in progress and by the time we report to you next time, it should hopefully go to green. We'll try to work that into the report. That's a good way to look at it going forward.

Commissioner Adams - Winnie, thank you for the report. I appreciate that you prioritized and made some decisions because sometimes you've just got to make decisions which ones to go after. I was going to ask you a little bit about climate change and sea levels, how that's going to affect some of the piers. Also, I didn't see Pier 30-32 on here and I know not all the piers are on the list.

Winnie Lee - Pier 30-32 is listed under Exhibit #2.

Commissioner Adams - Okay. Can you tell me a little bit about how sea level rise makes some of these projects mature faster than other ones and that you have to really look at it and try to get it done?

Winnie Lee - When we have sea level rise, the water will rise up obviously, and the concrete will corrode faster possibly and the inspection windows might be a little bit smaller.

Joe Roger - I might add that the work window also will close up tighter with sea level rise. It presents more of a challenge for us and gives us incentive to repair these structures more quickly.

Commissioner Katz - Or get our SCUBA diving certificates renewed.

Commissioner Katz - Commissioner Adams question does highlight some of the concerns that we had. As you alluded to, the window to even do the inspections gets smaller and smaller as sea level does rise. The opportunity to even check on our wharfs and piers does become more difficult and problematic. I'm not sure how we address that per se, but it does put in all of our minds, a need to expedite some of the inspections and work that all of you are doing.

Winnie, thank you for your report. It was very clear and I appreciated having it. Commissioner Brandon, you're right. It would be helpful to see where we've gone on the positive direction as well as some of the others.

Commissioner Adams - Commissioner Woo Ho made reference to it. I appreciate that Pier 35 is on the list to be repaired in the near future so it can continue to be used as an overflow for cruise ships and that brings in revenue, and they can work cargo there. I see that the Port applied for Army Corps of Engineers grant for \$6 million. Have you applied MARAD grant funds? I just got back from DC lobbying recently and I met with Chip, the head of MARAD. Would any of this fall under the grants that they're giving out.

Daley Dunham, Special Projects Group - The assistance to small shipyards grant is the primary grant vehicle that comes out of MARAD. We as a City entity are not eligible to apply. What we've done in the past, have provided grant writing assistance to staff at BAE that they can then use to repair their facilities.

One other note on Pier 35 and the Army Corps of Engineers funding source, it's an authorized use of funds through our award of 2007 but we have yet to get it appropriated. In that sense, I would hesitate to consider it an awarded grant, but it's something that we definitely have our eye on.

13. FINANCE & ADMINISTRATION

- A. Informational presentation on Fiscal Year 2015-16 to 2019-20 Five Year Financial Plan.

Elaine Forbes, Deputy Director of Finance and Administration - Staff will present the Five Year Financial Plan, the 10-Year Capital Plan and a request for the capital projects supplemental for seven projects for next Fiscal Year, 2015-2016. These items are all linked together as with the prior item, looking at the state of our facilities, especially those in the poorest of condition.

The Five Year Financial plan builds off of historical trends and assumptions for the future of the entire Port enterprise, and it forecasts where we're headed. The plan predicts the operating and Capital Budgets. The base case shows what's most likely about, based on what we know about the economy, our revenues and leasing initiatives that will build revenue, and what we know about our expense growth.

The low case explores key drivers that would affect a financial decline for the Port enterprise, so that the Port Commission knows what to plan and watch for specifically in the case of an economic slowdown or to guard against in the case of slower performance on leasing initiatives. The high case explores drivers of an improved position, so we can strive for those outcomes.

The 10-year Capital Plan is the Port's capital investment strategy and it shows how well we are doing addressing our capital backlog and renewal needs. This presentation allows for the Port Commission and public input. Because the 10-year Capital Plan focuses on our investment strategy over the next 10 years, it is our strategic planning document and it reflects our values and priorities.

The Capital Budget request is a staff recommendation to the Port Commission on how to spend onetime revenues for capital investment, which improves our financial outlook in the Five Year Plan, looks like the High Case and supports our capital investment strategy that's enumerated in the 10-year Capital Plan. Next year is year two of our fixed budget, so this recommendation to augment our Capital Budget would be through supplemental appropriation.

To respond to some of the questions from the last presentation and guiding into this one, all the at-risk facilities are in our Capital Plan. Page 12 of the Capital Plan discusses the at-risk facilities. When we go through scoring to figure out how to best invest our dollars, we look both at the revenue generation of the facility, safety concerns, meeting our mission and also project readiness and timing. As one example, Pier 29 which Winnie described some serious substructure problems, while it scored well, the timing was not such that we felt it was ready for appropriation for a budget for next year but we'd be looking at it for the following year.

What will come through in these items is a lot of notable accomplishments and some really clear opportunities. The Commission's policies related to our Operating Reserve, also our coverage of our internal policy of two times debt

service coverage have really constrained operating expenses. While it doesn't always feel good have operating expenses constrained, it helps us have a lot of opportunity to more capital investment.

Your Port Commission policy relating to capital reserve policy, to set aside revenues for capital investment is growing this critical source of investment. Our Port capital dollars have been a very small source of the overall Capital 10-year Plan of spending. It's grown. It's now up to 18% of the total identified sources but it's the source we can totally and fully direct to our needs. It also represents 30% of sources for capital repair to meet those critical needs.

The careful management of holding down our operating expenses combined with growing and allowing us to utilize more of our funds for capital investment is growing this critical source of revenue. The Capital Plan has guided over \$220 million of investment since 2006 which is extraordinary and that doesn't include the private side.

On the opportunity side, we will reach our \$100 million revenue goal next year and that was a stated Commission goal and we're going to hit it. We're very pleased to report that. In the Base Case Scenario for the Port, we meet our Operating Reserve policy. We meet our Capital Policy and we even have surplus revenue. This is a better picture than we painted in prior forecasts.

Even more importantly, the High Case reflects some targeted capital investment which we're recommending in Item C and it improves the financial outlook. The Port Commission has a decision to make regarding what to do with the one-time revenue that we have. Primarily, the lion share of which was brought in from the PG&E prepayment of rent agreement the Commission approved in the amount of \$15.3 million.

The question for you is whether we should put it aside and save it for a rainy day in a revenue stabilization reserve fund which we would utilize to pay debt service, or whether we should invest it in capital. The Revenue Stabilization Fund concept is to protect the bond holders in the event of a major swing in revenues that we wouldn't predict today or a major change in operating expenses.

We're recommending that you spend the funds on capital now for two reasons. One, our own financial position is very strong. We're projecting coverage of between five times and 6.27 times in our forecast. We don't think a Revenue Stabilization Fund is required at this time. There is a lot of positive financial impacts from making the capital investment now.

Despite the significant accomplishments and opportunities, the fundamental problem that we've been facing persists. The Port has an extraordinarily large gap between what we need to spend every year for capital and what we can spend. The Port's balance sheet alone cannot address the backlog. The chart shows the difference between what we're projecting to spend in capital, the

blue line, and what we would need to meet our annual renewal cost, about a \$30 million gap between those numbers.

When Daley discusses the Capital Plan, you'll see we have a \$1.13 billion of unfunded need at the end of the 10 year period. The picture is improving and we're addressing the problem but the fundamentals stand. How will we address this very large gap? We are advancing internal strategies. You funded the Port's Pile Driving Crew and they're making good headway on our backlog. We're looking at smaller scale investments for near-term revenue, such as Pier 31. We're proposing Pier 23 and we have a very exciting proposal for the Backlands.

These are projects that return investment earlier and develop near-term cash. Some of the larger development projects take a longer time before the revenue is ready to come to the Port enterprise. We're also fine tuning our expertise in obtaining entitlements, regulatory approvals and in delivering capital projects quite well. We continue to look for external sources of funds. This is where you see the sea change in addressing our need and Pier 70 is one of the greatest examples.

We will continue the strategy of public/private partnerships and are also looking for a regional, city wide strategy to address our seawall and deal with the significant challenges that sea level rise will bring. We will continue to look for voter approval in the form of GO bonds for our parks and open space network.

I would like to thank Lawrence Brown who is a financial analyst and he managed the project capital review this year. Twenty-five projects came in and we're submitting seven to you today for approval. We had an internal review group who did a lot of work on these proposals which included Mark Lozovoy from Real Estate, Tim Felton from Maintenance, Mark Paez from Planning and Development, Uday Prasad from Engineering, Tom Carter from Maintenance and Jay Ach from Maritime.

Finally, I want to thank Brad Benson, not only for guiding the development of the Capital Plan but for negotiating the PG&E settlement which is generating the big one-time source of funds that we're recommending for investment today.

Meghan Wallace, Port Finance - In 2009, voters approved a charter amendment that required the City to begin a two-year budget process that had a Five Year Financial Plan update on alternating years. The goal of such planning is to shift the focus from short-term budgeting and problem solving to a longer view of financial planning. This allows City staff to develop thoughtful solutions for problems, and maximize the potential upside and opportunities that we face in our budgets.

This is the third official Five Year Financial Plan that the City has developed, and the fourth report and presentation that Port staff have prepared. In the following presentation, I'm going to give a brief update on the City's Financial Plan and go into more depth on the Port's five year financial outlook.

The City is looking at a deficit over the upcoming five years, over \$400 million. This is despite a strong economic climate where since 2010, the City of San Francisco is actually the second fastest growing economy of a large county in the country and added more than 70,000 jobs to our local economy. The City's projecting a \$567 million increase in their General Fund sources over the upcoming five years, but that's being offset by close to \$1 billion increase in expenditures, large portions of which are from labor costs, including salaries and pension and retirement, pension costs, the general cost of city wide services.

The Mayor's proposing a plan that's a combination of controlling expenses and identifying new tax and fees and other sources that can help offset and cover the growing costs. While this might seem like a large deficit, it's not such a big burden relative to what we've seen in recent history. When the Mayor came into office, the annual deficit was over \$300 million and this is over the five year window.

It's important to note some of the key assumptions in the city wide plan. One of them is the economy is going to continue to be strong. While the Mayor has recognized that growth is being curbed, things like commercial space is reaching capacity. They're just not seeing such employment growth. There's still an assumption that the economy is going to continue to do well.

Additionally, the assumption is that current labor agreements will stay generally where they are with some percentage increase. After Fiscal Year 2016-'17, the City will be negotiating new agreements and we'll have to see what comes of those. An important factor in looking at the economy is that the City has been benefitting from five years of expansion, and historically we haven't had more than six years of growth in a row.

It is definitely a large footnote in the City's plan that we may be reaching the end of that economic growth and that we should have our eyes out for what would happen in such an event as an economic downturn. That's particularly why we include a Low Case in the Port's financial planning.

The Port's financial includes three scenarios. We have the Base Case that looks at likely outcomes, at current revenue growth and current leasing assumptions. I spoke with Port Real Estate and we talked about facilities that are currently vacant and being prepared for being leased. As well as development projects that have been through Port Commission review such as Pier 70 and Pier 38 that we believed were moving forward and advanced enough that we could consider them in the outlook.

The Low Case takes a darker turn and considers what would happen if we did face an economic downturn. I reduced our percentage rents down to Fiscal Year 2010-'11 levels and considered that leasing would go at a slower rate. For instance, Piers 19 and 23 are two key areas that we're looking to lease, what would happen if we delayed the timing of filling those spaces?

The High Case goes into more detail of considering development projects that are still on your horizon for final approval as well as capital spending. The last item, on this agenda item, for the capital supplemental will actually bring more revenue and will add to the High Case Scenario.

As Elaine pointed out, we definitely were taking into account the Operating Reserve. Each scenario actually meets the 15% Operating Reserve as well as the Capital Policy requirement of 20% for the first two years of the plan and then increasing to 25% in the later end of the plan.

Looking at the Base Case, the lighter blue are the sources and the darker blue are the uses and the green that just ekes up there at the bottom is our surplus. This is a better projection than in prior years of the Financial Plan where I had shown you deficits in the out years and the need to curb operating expenses and increase sources. The key difference is that we are being prepared to put new facilities on line and generate more revenues and frankly, the economy's been doing well. This is a reflection of that on-going income stream.

This shows \$14.7 million of average capital spending. That is definitely higher than in prior years where if Port staff had been asked what we generally spend, it would be maybe \$10-11 million. This is an improvement but the take away, particularly given how the surplus declines in the later years is that we need to continue to deepen our revenue base.

In the Low Case, where we apply reduction to percentage rents and delay leasing of facilities, the forecast does show a \$4 million average deficit in the out years. I continued to apply the assumption that we would meet our Capital Policy requirements, so what this means is a deficit to our Operating Budget. This calls on that trade-off saying, "We have committed to meet our policy requirements for capital, so if we face a deficit, we're going to need to find reductions to our operating expenses."

Finally, looking at the High Case, this applies an assumption that we would go ahead and get approval to move forward with the capital projects that are coming up as well as current projects that are underway, to have lease arrangements such as Pier 31½ with the National Parks Service, and other upsidies such as cruise business, assuming that we had more than expected cruise calls and were able to generate more revenue at Pier 27.

This chart is to show the comparison of the deficits and surpluses in the three different scenarios. As you can see, the High Case is essentially the opposite of the Low Case by the end of the five year forecast. Comparing the capital impacts, 2016 shows an unusually high amount of spending, and that has a trickledown effect in the later years of increased revenues that, what's happening is they're flowing directly into additional capital spending.

The main takeaways are that the economy is strong. We're expecting it to continue in the Base Case of this forecast, but it really does rely on our ability to move forward with leasing facilities and moving forward with development projects. We do need to continue having our mindset of controlling operating expenses. We are going to continue to meet our policies for the Operating Reserve and capital spending, but increasing our revenue base is a priority in any scenario.

If you were able to apply the assumptions of the High Case, of renovating properties and increasing our revenue base, that would protect us even further in the case of a low scenario where we face an economic downturn.

B. Request approval of the Port's 10-Year Capital Plan for FY 2016-2025.
(Resolution No. 15-05)

Daley Dunham, Special Projects Group - This is my eighth time presenting the Capital Plan but the ninth iteration of the Port's 10-year Capital Plan. We're looking at one of the great accomplishments over the last year, Pier 64 pile removal, there's a little bit of water in the background.

Dovetailing with what Deputy Director Forbes had said, "How does the 10-year Capital Plan fit in with these other financial documents? What is it?" It is, at the most mundane level, how we publicly show what our capital need in. It is listed in great detail in appendix A to the 10-year Capital Plan. It itemizes every facility that we've got. Incidentally when Winnie was going through the at-needed risk facilities and was showing numbers, I was flipping through Appendix A, and they do align.

It is the guiding document for the Port's investments, what we do with our resources. Together, with the item before it, that lets us look at our trajectory, where we're going in the larger sense. A reflection of the Port's values as Elaine said that earlier. When we take the most valuable resources that we have because they have no strings attached, the Port's capital funds. We put them through the scoring criteria, attached in Appendix B which the Commission approves every year and it recommends where we're going to go. It has relative values on things like the Port's mission and revenue generation and risk management. This will fold in to the city wide 10 year Capital Plan with other City departments and lastly it is an important point where the public can interface with our strategic thinking.

To take a victory lap, what we did over the last year, \$220 million of investment guided. We have the James R. Herman Cruise Terminal, Fritz and Lucy Jewett Grove, the review of the Waterfront Land Use Plan was just a major thing that happened this year that was really a spectacular effort very much informed what's in this year's iteration of the 10-year Plan and the removal of a substantial source of waterfront blight that spent most of its years in the Southern Waterfront, and removal of Drydock #1 and the beautiful Bayview Rise.

In terms of the plan reflecting our values and the scoring criteria, this is a slightly different take on what's included in Appendix B but it does focus on revenue generation, public safety, the Port's mission, maritime uses, and the ability to leverage additional funding.

Where are we this year as opposed to last year? The key numbers to focus in on are the nearly \$80 million that we're faced with about every year just in cost escalation of 5%. That's further depreciation for what's in our backlog or price escalation on our renewal costs going forward. We're beating that number the \$89 million reduction, that number coming off our books, unfortunately a lot of that had to do with the Golden State Warriors moving and a lot of refinement to our development project numbers with new pro formas coming out and updated numbers there.

In the end it's about \$30 million more than last year. One thing to note is that the onetime cost category of 21% consists of bits and pieces of the other three, seismic backlog and backlog and renewal, mostly concentrated in Pier 70. It's an artifact of the modeling software and the way that Pier 70 projects were always estimated all in. Most of what you're looking at in onetime costs are Pier 70 structures.

This chart highlights what we do with our money depending on where we get it from. If it's our own money, it's internally generated. We tend to fix stuff that we already have, trying to take care of what we've got. When they come externally, primarily from development, there's much more of an emphasis on building new things and enhancing the waterfront.

The development projects at \$295 million still is the largest chunk of our external funding sources. On the internal side, it is remarkable that the Port Capital Budget is now the biggest piece of the pie. That will vary from year to year based on the tenant improvements. Those kind of go up and down depending on what systems are expiring every year, but it's a significant development.

This is a more detailed look at how we use our funds, breaking this down between repair and enhancement by funding type. There's \$117 million for federal, state and local grants for enhancement. That's almost entirely the WETA project for expanding the Ferry Terminal.

These are development projects, just by project so you get a sense of where funding is coming from, seismic being a very small piece of the Forest City work. Notably absent from there is the Golden State Warriors at Pier 30-32 which did a lot to repair that facility but no longer.

Lastly, this slide gives the barometer of where we're going in an overall sense. In the current year, it takes a dip from the year before and that has mostly to do with the Golden State Warriors coming off the books as changing our estimates to comport with, or revert back to what we had before. There were public numbers going around with that development. There are some revisions to all of our estimates at Pier 70.

The size of that bar, top to bottom, is what our overall need is and its grown by, in the most current year, only 2%. It is only about \$30 million than the prior year. Accepting last year as something of an anomaly, we do continue to show steady progress, incremental steady, not humongous, but steady progress.

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution No. 15-05 was adopted.

C. Request approval of the Port's seven additional capital projects and accompanying supplemental appropriation to Fiscal Year 2015-16 Capital Budget. (Resolution No. 15-06)

Meghan Wallace, Port Finance - I'd like to go over our Port capital supplemental. This is the second year of a fixed two year budget. Port staff, were able to identify additional funding notably from the PG&E prepayment as Elaine mentioned earlier. We have \$15.3 million of additional funds from that deal as well as \$4.2 million of savings from previously approved capital projects. The sum of those items enabled us to go ahead and request a \$19.5 million increase to our 1015-'16 Capital Budget.

This chart is to show you what you had previously approved for Fiscal Year 2015-'16. The total budget is currently \$12.8 million and as you can see, the bulk of it is for dredging which is fairly typical that we spend at least \$5 million or so for our annual dredging needs. We also are doing some pier structure repair projects. The other parts are allocated in the Northern and Southern Waterfronts as well as other general Port wide projects.

The proposal before you today is to move forward with requesting an appropriation of those funds to the Fiscal Year 2015-'16 budget and Port staff underwent a process to identify seven priority projects that we thought met the most critical priorities. The bulk of it is in the Southern Waterfront, and

these projects support maritime, they leverage federal dollars and they are revenue generating. The seven projects are:

(1) The Backlands project - It had previously been on the Port's books but we ended up shifting the funds to finance the Port's contributions to the America's Cup improvements. This project will improve the site for construction lay down, parking and storage sites. It will activate the Southern Waterfront and Port Finance has determined that over 10 years it'll generate a net revenue of \$8.5 million which from my Five Year Financial Plan, could directly feed into additional capital spending.

(2) The BAE electrical separation - At Pier 70, the current power site is in Building 102 which is an Orton Development Site. BAE needs to have a separate electrical source. This project would create a new service station and mitigate an existing PCB transformer which definitely needs to be managed. By moving to a new power source, it will give BAE a cleaner and safer power supply. Notably, this will enable BAE to continue with their work at Pier 68, 70 and that's critical to our maritime mission.

(3) Central Basin Dredging - This is a \$2.9 million project which would be the Port's portion of over a \$15 million project to dredge the Central Basin to a depth that will continue to enable very large ships to come into the drydock. This is going to leverage \$10 million of Army Corps of Engineers funding. The deal that we're currently working on is BAE would contribute \$2.9 million dollars as well. Once this is done, the Army Corps of Engineers would continue dredging the site, which could have millions of dollars of costs that the Port will not have to invest every decade or so.

(4) The Quint Street Lead project - It originally came as an Accept and Expend to use federal railroad association grant dollars, \$3 million. The Port match was originally \$300,000 but unfortunately the project has increased in cost now that we've gotten farther along in design but compared to other grants, a \$1 million match is still fairly reasonable leveraging federal dollars. This project will continue to support maritime cargo and also be a good project for the Southern Waterfront.

(5) The Pier 23 Roof is a \$2.8 million project that will not only help protect this historic facility, but Port staff have found that we could increase the rent at that site by \$0.50 if we go ahead and upgrade the facility.

(6) The Seawall Study would be \$1 million. You previously approved \$500,000 for this project. We're currently underway with it in Fiscal Year 2014-'15. This funding will get it through the full initial stage of assessing the seawall and marginal wharfs.

(7) Environmental investigation currently underway at Pier 39 - This additional funding would enable a follow-up study that we expect to do through the request of the Regional Water Quality Control Board.

These charts are being revisited from the Five Year Financial Plan, because I want you to be able to see that the proposed projects help support the Port's financial position. It was in the High Scenario that we included the additional revenue that would be generated from the Backlands project and from the Pier 23 leasing. This chart helps show that the additional revenue from those projects in the five year window would be over \$7 million.

I'm requesting Commission's approval to increase the Port's Capital Budget for Fiscal Year 2015-'16 by \$19.4 million for a total of \$32.2 million which is quite a large amount by Port Capital Budget standards. It may actually be the largest amount. We'll be addressing some key priorities such as activating the Southern Waterfront, supporting our maritime industry, as well as the Port's financial position and restoring some historic facilities.

Commissioner Katz -. I want to thank all of you. Your presentations are all extraordinary and very much appreciated. It takes what can be a dry topic or information and makes it very presentable and informative. I want to thank you all very much for that and I know an awful lot of work went in to make it so easily digestible for those of us here, so thank you.

Commissioner Brandon - This was a great presentation. It was a lot of information. You guys have done a wonderful job and congratulations on meeting \$100 million and all that we've done with everything that we've accumulated over the last few years.

I personally want to invest the \$19 million back into the Port facilities and not just set it aside. You guys have come up with great options to do that that will be really beneficial. Are all the piling removals funded in the Southern Waterfront? If not, can we make sure that we allocate some portion of this to pile removal?

Commissioner Katz - Or turn them into the art; they look kind of cool.

Elaine Forbes - My understanding is all the pile removal is not funded. We do have a plan utilizing our Pile Driving Crew to do some of the work and are making good progress on it. What we can do is report back to you about how our progress will go next year and continue to fund the effort moving forward. If you'd like us to come back and make a suggestion to defund something included in the \$19.5 million supplemental to augment it, we could go back to the drawing board on that. We have a funded program that's moving forward next year but we don't have all of it fully funded to be accomplished next year.

Commissioner Brandon - It doesn't have to be accomplished next year. I just want to make sure it's in the pipeline and funded sometime in the next few years.

Elaine Forbes - David Beaupre is reminding me that we have a permitting issue. We have a timeliness issue. We need an Army Corps permit which is taking some time to receive. Even if we were to fully fund it next year, it would be sitting until we can get that permit issue resolved and get to work on the program.

Commissioner Brandon - Can you give me an approximate idea of what's unfunded?

David Beaupre, Planning and Development - We do have projects funded, all the pile removals west of Third Street within Islais Creek. Where we need potentially additional funding for pile removal is the area directly underneath the grain silos, the Pier 96 lash terminal and the Pier 70 wharf eight. We have a federal request in through WERDA, Water Resources through the Army Corps of Engineers. We're hopeful that we may get some funding for that as well. As Elaine mentioned, we have begun the permitting process through the Army Corps of Engineers for removal and we anticipate to get a permit within the next 12-18 months that would allow us to do that removal.

Commissioner Brandon - Approximately how much is still unfunded?

David Beaupre - I will need to get back to you on that.

Commissioner Brandon - Okay. Now I think you guys have come up with great suggestions on what to do with the funds, but I did request a few months ago that we consider making that a part of it because that has been an outstanding issue for a long time.

Commissioner Woo Ho - Today was great in terms of having everything presented to us from the facilities assessment to the Five Year Financial Plan, the Capital Plan and obviously what you want to do with the incremental funding available on the capital projects. I would concur with Commissioner Brandon that we should invest rather than put aside because there is the benefit of moving forward more quickly and this a gift that keeps on giving, so that's an important aspect. I support that.

In looking at some of your financial scenarios and understanding between the Base Case, the Low Case and the High Case, it seems if there's a swing to the Low Case, which is obviously not something that we would hope would happen. But it looks like you're assuming that comes just from more, less lease revenue as well as lower cruise volume as the primary drivers of the lower revenue.

You do have some offsets in terms of things that you could do. If we ever saw that trend happening, how could we offset that more in terms of whether to look at other sources of revenue even if we had lower volume on cruise ships, whether we would charge a higher facility fee or passenger fee. We would need to offset that because the swing is not something that we'd want to be considering. I looked at your High Case revenue and your High Case is still conservative because you're looking at a 2% increase in revenue which is not really High Case.

The other thing which we have not heard yet, you're saying some additional revenue from the events at Pier 27. We've requested at some point to hear back on what our experience is so far with the cruise ship terminal so we do understand whether that's panning out as better or worse or as expected. That's something we want to hear about because that would be another variable. I'm looking at all the variables that you can use in these scenarios in the Five Year Financial Plan to generate as much as we can so we can put more into the capital side as much as we can.

I appreciate what Daley has done with the Capital Plan. We're making progress but we seem also to be treading water a little bit. Every time we look at it, it still kind of comes back to something else, either cost escalation or something else comes up. We're making progress but we're still treading water a little bit and we want to move forward. It looks like we've made a little more progress than just standing still with new things. Even though it's good to hear that we don't have more red tag facility and that things on the yellow tagged are somewhat stable and moving more to green. Somehow the numbers keep standing still a little bit to us and we're not making as much progress as we'd like.

I appreciate that you've given us a pretty clear pictures. I'm not sure I can say that I have detail questions except that your Base Case Scenario makes sense but we do have to be prepared for the Low Case, because you always have to be prepared for what could happen. I don't think we hope that will happen in San Francisco. I still think there could be opportunity to do better on the High Case.

Elaine Forbes - Agreed. Thank you so much for your comments. On the High Case, you may recall from the cruise terminal conversations they were really Base, low cruise/high events, high events/high cruise -- there were five scenarios. We modeled those center three, Base and low cruise/high event, high cruise/low event. We didn't model high cruise/high event. You're comment that the High Case could be more aggressive. We tend to be conservative in how we do our projections, but that's a very good point. We'll be coming in May to give you an update.

Monique Moyer -- We will update the Commission at the May 12 Port Commission meeting when the terminal will be about six months old.

Elaine Forbes – On May 12, 2015, we will talk about how Piers 27 and 35 are performing relative to those scenarios that you saw. I would also say that the Low Case for me feels like a very Low Case Scenario. I hope that we won't be solving for that level of deficit in the near-term but the economy could always do something dramatic which would match prior cycles.

Commissioner Woo Ho - I echo Commissioner Brandon's comment congratulating staff. I threw out the \$100 million target a few years ago and at that time it looked like it was a really stretch goal but it's very close to reality and we'll eventually throw out another target and hopefully we'll reach that too.

My guess is that even with Base Case economic scenarios, you may do better than what you think on the revenue side and hopefully you will throw more down to the surplus side so that we can have more funds available for capital and that we can keep our operating costs in line. I think that's really positive.

At some point, Director Moyer, we would like to have staff make a presentation on what's on deck for Piers 19, 23, and 29.

Monique Moyer - You got to see today that we have substructure issues at Pier 29 so it's not on deck to come back just yet but we're working on it internally.

Commissioner Woo Ho - Okay, because that's one way to sort of move the revenue faster in some of those piers..

Monique Moyer – Pier 23, in particular, was included in Elaine's numbers.

Commissioner Woo Ho - But in terms of understanding the plans behind it, besides the numbers, in terms of what you're hoping to do with it.

Monique Moyer - Right now we got thrown a curve ball with that substructure issue so we're still struggling with that.

Commissioner Woo Ho – Okay.

Elaine Forbes - I would also like to say for Commissioner Brandon's benefit that David Beaupre did submit a pile removal project, and it scored well but the timing related to the permit and what our Pile Driving Crew could accomplish made us push it to the following Capital Budget. So he did submit that project and it did score well, but we just couldn't see the ability to get it done with the permitting issues and just the capacity of our Pile Driving Crews.

Commissioner Brandon - But even if it's in the Capital Plan, it doesn't mean that it has to be completed this year, right?

Elaine Forbes - Well no, but we were looking for projects that needed money next year. And what we have already in the pipeline for pile removal will be utilized next year should we get to a satisfactory resolution to the Army Corps permit, etc. and what our Pile Driving Crew can accomplish. If we funded more in next budget year, it wouldn't be utilized. We were looking for projects that could utilize funds next years.

Commissioner Brandon - I appreciate that but I would love to see those funded.

Commissioner Woo Ho - We're activating the pop-up projects for Pier 70 and SWL 337, are any of those numbers contemplated?

Elaine Forbes - I believe Pier 70 is a revenue reduction assumed in the Base. The pop-up for 337 is included in the Base.

Meghan Wallace - Yes. We assumed the pop-up would generate approximately \$300,000 starting in Fiscal Year 2017-'18 and that would be 50/50 parking and shared revenue from sales receipts. Forest City and Orton at Pier 70, the forecast actually shows lost revenue from the assumption that there are a couple tenants that we wouldn't just relocate to other Port sites. For the most part, it looks like staff are working to relocate so we won't actually lose revenue at those locations.

Commissioner Woo Ho - In your revenue forecast of Base Case, were you using an average revenue increase from lease or was it also a detailed analysis, knowing which leases are coming for renewal and projecting out the ones that are less than five years and actually doing a lease by lease analysis?

Meghan Wallace - We're starting to work with a model that allows us to see when leases will come to completion. It was just for new leases that we were projecting would be starting that we built in. As far as leases that would be expiring and then assuming a higher rate, that would definitely be the next phase for our analysis. We weren't able to get to that level here.

Commissioner Woo Ho - So we are basically relatively conservative because we're, sort of a general assumption rather than looking at it and seeing the opportunity of some of these leases that are coming off stream.

Meghan Wallace - My understanding from prior analysis out of the Real Estate Division is that the difference between current rents and raising all facilities up to parameter rents, I believe had \$100,000 or so difference. Unfortunately it was fairly small.

Commissioner Adams - I appreciate the presentation. It was very thorough, very easy to understand. I also support my fellow Commissioners about the proposed increased. I guess I'm a person that caution is kind of foreign to my character. I think that we just have to move on. What really hits me that you framed it up very well at the end that you're going to invest in the Southern Waterfront which I think is very important. You're going to support the maritime industry, but also to improve the Port's financial position.

I would savor the moment now for the things that you have accomplished. I know we have to look into the future but sometimes you just got to take your time to get there but for what we've done and just looking at the goals that we have accomplished. We've been doing it bit by bit, staying the course. I am supportive. Plus it's going to give us what we need to continue to improve what we need to get done at the Port.

We're still out there. We had the setback with the Warriors and of course with Forest City but we will work through that. You're laying out some other things and we're in the game. We're improving and you guys continue to exceed, and you still continue to amaze me because it seems like we're making the best out of what we have, and you're making it go a long ways. I really appreciate that. Please keep up the good work and clearly you have my support.

Commissioner Katz - I'll just concur with the comments of my colleagues. I appreciate your taking the opportunity to have the surplus funds used to protect us in the future going forward and putting those funds to good use in terms of the return on that investment.

In terms of looking at the projects that were submitted for funding, are there any projects on there that would've generated some significant return that we didn't include in the seven that we would want to take a look at going forward?

Elaine Forbes - Yes, we have a couple. Pier 29 substructure is among the leading unfunded requests and that project has a very good revenue generation. The issue was that it was just right underneath the seven projects relative to the scoring and there was also a potential timing issue.

The Beltline Building which is the small building in front of the cruise ship terminal at Pier 27 was a good project submitted for leasing improvements such as putting an elevator into the facility and ADA improvements to the restroom. That is a revenue generator but it was just under the scoring.

In terms of track upgrades, there were several maritime improvements to Pier 80, 92, 96 that were dependent on the business case and we're waiting for some other approvals, to come through before we better understand the business case.

Commissioner Woo Ho - In terms of your scoring mechanism, what weight is put on return on investment or revenue generation?

Elaine Forbes - We look at the payback period and at the 10-year financial benefit, and basically the top score is 30 points out of 100. But if there is a huge payback and we give every \$250,000 in the 10 year period, one point. If it exceeds the maximum points of 20, we continue to give points for that return on investment with the understanding that that return on investment goes directly back into the capital program.

It's really 30/70/70 to everything, Port mission, safety, health, code violation, etc. 30 to financial. But if it's just such a good investment, like the Backlands project, we'll continue to grow that particular criteria to show the weight of the revenue we receive.

Commissioner Woo Ho - So it's about 30 points out of 100 and the rest is obviously public safety compliance issues.

Elaine Forbes - Maritime mission, bringing the public to the waterfront, yes.

Commissioner Katz - On some of these, I imagine we've looked at other sources of potential revenue to get those funded?

Elaine Forbes - We do. One process we go through is to find all other funding sources. So there's two things we do in the scoring criteria. If it's leveraged, we move it to the top, depending on the ratio of leverage. We look to see, "Are these revenue bond projects?" As our bonding capacity improves, are these things we would want to issue debt for? We also, of course, look for grant opportunities for any of these projects.

Commissioner Katz - One thing that struck me in terms of the sewer upgrade project, wouldn't that be something that would partially fall to DPW or PUC?

Elaine Forbes - That's a long-standing question. We continue to work with our other sister agencies relative to moving our infrastructure into their portfolio, but we'd have to have an accepted City street and the infrastructure would have to meet their requirements, etc.

Commissioner Katz - Again, thank you all very much. I really appreciate it and appreciate all the time and energy that went into reviewing these projects. It was quite an undertaking.

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution No. 15-06 was adopted.

Port Commissioner Kimberly Brandon left the meeting at 6:10 p.m.

14. REAL ESTATE

- A. Request authorization for San Francisco Public Works, in consultation with Port staff, to issue a Competitive Solicitation for an Asphalt and Concrete Batching Plant at Seawall Lot 352 (located along Amador Street) with a Bulk Maritime Terminal Component at Pier 94. (Resolution No. 15-07)

Brad Benson, Director of Special Projects - I'm here today with a couple of representatives from San Francisco Public Works. Patrick Rivera is the Division Manager from the infrastructure, design and construction division along with Richard Chircop from their Infrastructure Task Force. We've been working with San Francisco Public Works on this proposal for a competitive solicitation for an asphalt and concrete batching plant at Seawall Lot 352.

This is the Port's Southern Waterfront. This context map shows the Piers 80-96 area around Islais Creek that we were talking about earlier, primarily a maritime industrial complex with a big focus in Piers 92-94 area with bulk shipping. There's a lot of aggregate and sand coming over Port berth supporting two existing concrete batching plants, Cemex and Central Concrete.

The Port's backlands area may be the recipient of improvement dollars. There's a vacant site that was a former concrete batching lease that was never completed by the tenant. That's the area that we're talking about today as a new batching opportunity.

We're here to propose to the Commission a competitive solicitation for a five acre site at Seawall Lot 352 with maritime access at the Pier 94 berth. The competitive solicitation would also seek to result in a long-term asphalt and concrete supply contract for City sponsored projects, mainly for San Francisco Public Works but also for other departments such as the Port, the airport, the San Francisco Municipal Transportation Agency and the Public Utilities Commission.

The proposed RFQ/P would allow respondents to demonstrate a need for more than the five acres than we're talking about. There is additional land that's unleased across the street on the backlands. We seek your approval for this solicitation. This is the 4.7 acre site that has an improved foundation for a concrete batching facility that was built by the tenant that had leased the site. Due to the litigation and defaults under the lease, they never completed the batch plant. It's an ideal site for this use, given its proximity to Hanson Aggregates just to the North which does a sand mining operation at that location. At Pier 94 we have aggregates coming over the Port's berth also handled by Hanson.

There's a lot of history to this proposal. The City operated an asphalt plant between 1909 and 2008. It was a very old facility. It was on about a little over a two acre parcel, so it was not large enough to handle a modern asphalt plant. SF Public Works closed the facility and instead started purchasing asphalt from the private market but they're having to travel south outside of the City to get to the nearest asphalt plant.

We have two existing concrete batching tenants at the Port, very successful business model. We did approve a third concrete batching lease that ultimately had to be terminated through litigation. After that litigation, we issued an RFP for a batching opportunity at this site in 2007. It was for either concrete batching, asphalt batching or both. It had strong support from the Southern Waterfront Advisory Group.

We were just headed into the economic downturn at that period in time and we had a lot of people come to the site tour and to the pre-bid conference but ultimately got no responses to that bid. So the proposed RFQ/P objectives, we want a high quality operator. We want to increase shipping at the Pier 94 berth so we want a well-designed industrial facilities that can improve the character of the area; a quality and affordable supply of asphalt and concrete for City projects.

We want to minimize unnecessary truck trips. That's a basic premise of having these batching facilities so close to our berths is that we avoid truck trips for the handling of material needed for batching. This opportunity provides a chance for the City to realize some very important environmental policies. Right now we're not able to get asphalt with a high amount of reclaimed asphalt product. The hope is that we could get up to 50% recycled content in asphalt from a new facility like this. Of course, it will provide employment and contracting opportunities to the 94124 zip code and seeking a project that's consistent with Port land use policies.

This RFQ/P has scoring criteria that delegates points to respondents' proposals according to these various categories: The quality of the development concept, their financial capacity, their environmental records, local economic benefits of the proposal in terms of small and micro local business participation and guarantees of supply and the pricing structure of asphalt and concrete to the City.

We're looking to have this be a successful lease for the Port as well. We would look at a market rate base rent, wharfage and dockage consistent with the existing concrete batching facilities on Port property. The exact terms would be negotiated after the RFQ/P ended up in selecting a preferred operator. We are looking at five acres, but potentially more land if they can demonstrate a need to house both an asphalt plant and a concrete batching plant.

The term would be up to 25 years. That's consistent with what we did with the existing concrete batching tenants. We would require an Operations Plan so that we'd minimize environmental and health impacts of the operation. This is a maritime leasing opportunity, so the tenant would have a maritime commitment built into their lease expressed in the form of tons shipped over Port berths annually and be compliant with the Southern Waterfront Community Benefit policy.

The schedule is fast. SF Public Works is looking to manage a competitive solicitation that results in selection of an operator by August, subject of course to your approval for entering exclusive negotiations. We haven't attempted to estimate the length of time for that exclusive negotiations, but sometime within a year we would be back to the Port Commission with approval of a lease.

Commissioner Woo Ho - Brad, you mentioned there are already two existing tenants that have this but are unable to do concrete batching and they are not able to currently meet the City's needs, is that correct? That's why we're thinking we need to get a third?

Brad Benson - Yes, it's fair to say that both of those plants are operating at capacity today in the construction market that we have today. My understanding is that concrete is being imported to the city from outside the city because we don't have enough production capacity within the city. The idea of having a third plant is something that we had baked into our Southern Waterfront Supplemental Environmental Impact Report more than 10 years ago. We had assumed a third concrete batching lease which we had tried to perfect with the lease at this site before. We do believe that there is enough market demand.

Commissioner Woo Ho - It sounds like their primary customer would just be the City and DPW projects.

Brad Benson - DPW and other City departments have a big need for asphalt and non-structural concrete for road projects. The City has less of a need for structural concrete except when it's building a big city building like 525 Golden Gate. The PUC building would've been an ideal example. The big demands that we're seeing on the horizon is with the shipyard. Hunters Point Shipyard is coming on line, going gang-busters. They need to build new streets. They need to build new housing to meet the Mayor's housing goal. We have similar needs at Seawall Lot 337 and at Pier 70, so we think that this operator will supply City needs, primarily asphalt and non-structural concrete but also sell to the private sector.

Commissioner Woo Ho - The site has some infrastructure that could still be repurposed or that is old and has to be redone.

Brad Benson - It has a foundation. So a new operator is going to have to come in and do some testing on that foundation to see whether it needs any improvement. We think that there was about a million dollars invested in that foundation so there's added value at the site.

Commissioner Woo Ho - So this one is probably not in Elaine's forecast at this time. If we were successful in getting a new tenant here, that would be added revenue.

Brad Benson - Based on what we're seeing from the existing concrete batching leases, which are actually smaller than this lease but on a per square foot basis, if we matched the performance of the lower performing of those two batching tenants, we'd be looking at \$700,000 a year in new revenue.

Commissioner Woo Ho - Not small change.

Brad Benson - You can add that to your High Case.

Commissioner Adams - Brad you said, "Minimum shipping requirement." Can you elaborate on that issue and would the cargo and stuff be coming in by ship or, can you tell me how it would be coming into the Port?

Brad Benson - Our two existing concrete batching tenants have maritime commitments as well in their leases. These are maritime leases so they've each committed to 175,000 tons per year in minimum shipping activity. One of the tenants handles that shipping activity on their own. The other relies on Hanson for materials. The two primary products that are coming over Port berths are aggregate and sand. It's not all of the material that you use for concrete. Here we're looking for both an asphalt plant and a concrete batching facility. Concrete is what will drive more demand for materials coming over our berths. Asphalt has a higher recycled content so more local materials going into the asphalt, but this is definitely a maritime opportunity.

Commissioner Katz - I know we have had some difficulties in the past in terms of when we put out the RFP the prior operator that we ended up having troubles with, I assume either they're not in existence or they will not be submitting any kind of proposal?

Brad Benson - I don't know what they'll do, but I think that we'll have a vetting process for reviewing proposals and we'll be looking, as an example, at environmental compliance, regulatory compliance are things that we're scoring on. We'll have an opportunity to look at the track record of people who are bidding on this opportunity.

Commissioner Katz - I should say, we should put something in the RFP that allows us to look at the track record. That's another way.

Commissioner Woo Ho - The new contracting policy allows us to look at previous performance with the City. Wasn't that something that we initiated and got?

Commissioner Katz - Did I just open up a can of worms? Sorry.

Elaine Forbes - It's not a huge can of worms. We're currently allowed to look at prior performance in contracting. The City does not yet have a standard of, or it doesn't have a system so we can look at prior performance across City agencies. What they're looking to do before amending Chapter VI which is the code section that covers construction contracts is looking to set up a system like in other counties where we understand how to evaluate prior performance and we can review that across City departments such as on time, on budget, number of change orders, litigation, etc. There's a process for the contractor to make comment to that City wide system. There's nothing prohibiting us from looking at prior performance now. As Brad was describing, in the RFP, we can look at prior environmental compliance, environmental program as a scoring criteria, etc.

Commissioner Katz - I was going to say it can be included as scoring criteria just in case they show up again.

Brad Benson - Yes.

Commissioner Woo Ho - I had a couple of questions in terms of the number of available bidders since there was no response in 2007. Could we even anticipate that the other two would say, "Well, we'll expand our facility."

Elaine Forbes - They could.

Brad Benson - We actually had quite a few companies that came and kicked the tires on the lease opportunity. We were beginning to enter that sort of economic downturn at the time. The other problem was that the City had not figured out a stable funding stream for its street work. There had not yet been a successful GO bond for streets, which there now has been. The Mayor has dedicated \$50-\$60 million annually in the City's General Fund budget for street work which is much higher than it was in 2007.

The City is doing a better job investing in these types of capital projects and creating demand for operators. This is also a concrete batching opportunity, so given what's going on in the private market and demand for concrete, there will be no shortage of people who are interested in that aspect of it.

Commissioner Woo Ho - My second question is, are we, since it's going into the RFQ and that obviously forms the basis of how any other term sheet gets developed after that, whoever wins it. Is it going to be described as an as-is

property, you take it as-is and there's a foundation and you have to do what you have to do. They're not going to come back and say we have to do this and that or we want the Port to fund that.

Brad Benson - No, this is private investment.

Commissioner Woo Ho - So it will be described as an as-is?

Brad Benson - That was the model for the other two concrete batching tenants. They came in and made 100%, there was no rent credits. It was a market rate deal with private investment.

Commissioner Katz - Do you think we'll at least have a good pool of respondents hopefully given the change in the economy?

Brad Benson - As long as Meghan's worst case doesn't come to pass, I think the answer is, "Yes."

You were also asking, "Could the existing tenants expand operations?" They're on smaller sites than this site. They've made significant improvements to their sites to be able to maximize capacity but I'm not sure that given the footprint of leasing that they have, that they're able to significantly expand output from those lease premises.

Commissioner Katz - But they could bid on this site?

Brad Benson - They could.

Commissioner Katz - Once we select a potential tenant there, how long do you think it's going to take for them to get their facility up and running?

Brad Benson - The City wants to build out Mission Bay. The two big concrete batching facilities in the city were in Mission Bay. They needed to be relocated, came to Port property, actually without bids in that case because they were maritime leases.

Monique Moyer - They took a while to build out their footprints.

Brad Benson - To do the design, I would imagine it's a couple of years from start to finish.

Monique Moyer - It's hard to say because they had an incentive to move quickly at that point in time but they took about two years.

Brad Benson - Part of that may have been driven by the environmental review. We've consulted with the Planning Department and we do have the Southern Waterfront Supplemental Environmental Impact Report. The early

read is that we may be able to tier off of that prior environmental work for this project. That it was the type of use that was contemplated. I'm not sure that the timeline for the older project is applicable here.

Commissioner Woo Ho - I would make one last comment. I was glad to hear you say that the City and the Mayor has put \$50-\$60 million dollars aside to repair roads in the City because besides traffic congestion, the other issue that residents talk about is the number of potholes in the city. It's nice to know that there's going to be a systematic plan to address that because it is becoming a much more of a city wide issue. The condition of the roads is just not in good shape.

Brad Benson - Agreed and that's what's driving SF Public Works decision making.

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 15-07 was adopted.

B. Informational presentation regarding Lease L-10432 and various Settlement Agreements with Sinbad's Pier 2, Inc.

Elsa Lamb, Property Manager with the Port of San Francisco - I'm here today to give you a brief tenant history of Sinbad's Pier 2 restaurant. Sinbad's is located between the Ferry Building and the Agriculture Building. The building was originally used as a temporary engineering office for BART while they were constructing the tube project. It was subsequently converted into a restaurant by Sinbad's. The Port entered into a lease with Sinbad's for them to operate a first class restaurant and lounge in October of 1980. It was originally a 20 year term which expired in September 30, 2000 and has been in a month-to-month, holdover tenancy ever since.

In conjunction with the restaurant, Sinbad's also holds a parking permit and license to have parking adjacent to its restaurant to serve its patrons. Sinbad's currently pays the Port \$23,548.28 per month in rent which is equivalent to \$282,579.36 annually which is inclusive of the restaurant and the parking. The amount also represents the base rent only.

Sinbad's reported \$2 million in annual gross sales for the 12 month period ending in September, 2014 which is lower than other equivalent Port restaurants and that is based on the dollars per square foot in income generated from the restaurant. Throughout much of the 31 years period, their percentage of gross receipts have rarely exceeded the monthly minimum rent due to the Port, so the Port has not received any payment from Sinbad's above the minimum base rent since approximately 1988. Sinbad's has not been a tenant in good standing because of it has frequently been in default of its lease for failure to pay rent. In the past 10 years, the Port has issued 10

separate notices to Sinbad's for notices of default for either non-payment or for non-sufficient funds to support their rent payments.

Sinbad's has been a habitual late payer. The Port has, over the years, tried to come up with different payment plans. We've worked with them in order to get them current. Beginning in 2008 and continuing to present, Sinbad's has been required to make rent payments using cashier's checks.

In 2012, Sinbad's owed the Port over \$220,000 which was equivalent to 10 months of back due rent. That was subject to the 2012 settlement agreement that Brad Benson will talk to you about later. Sinbad's has also deferred improvements to their plumbing and their sewer infrastructure which has caused many different sewer problems throughout the years. Some have been repaired with simple repairs, and others that required the Department of Public Health to shut the restaurant down.

In the last six years, the Port has had to report five sewer leaks to the State of California, one as recently as January 29, 2015 and all repairs were eventually repaired by Sinbad's.

The removal of Pier 2 by the March, 2015 date is called out into very important documents, the Bay Conservation Development Commission permit (BCDC permit) and the Downtown San Francisco Ferry Terminal Expansion Project which is the Downtown Terminal Project for the ferries.

In 1974, BCDC adopted the San Francisco Special Area Plan and that's to provide Bay views from the Embarcadero and also provide public access and open water space. The Special Area Plan has been amended over time, but particularly, it was also amended in April of 2012 which in part addressed the 34th America's Cup.

The 2012 amendment also called out specifically March, 2015 as a date that it wanted to see the structure on Pier 2 removed. BCDC also issued a permit in conjunction with the 34th America's Cup to the Port, City and America's Cup Event Authority granting use of various properties along the waterfront. In order to mitigate the impacts to the uses of those properties, the permit required among other things that Sinbad's truck, or Sinbad's restaurant located at Pier 2 be removed by March 2015. Delays in the removal of Pier 2 may result in penalties of upwards to \$30,000 per violation.

The second document is the Downtown San Francisco Ferry Terminal Expansion Project which is a project being developed by WETA which is the San Francisco Bay Area Water Emergency Transportation Agency. WETA is a regional public transit agency tasked with operating and expanding ferry service in the San Francisco Bay.

The project includes three ferry terminals, one of which is scheduled to be at Pier 2. The project is critical to WETA because it addresses the need to offer an area for any major catastrophic event. Should one occur in the city, the three terminals will be there. The lagoon is also being proposed to be covered so that that way it could have an area for queuing and for a covered area from the weather and elements.

In its October 2, 2014 meeting with the Board of Directors, WETA certified the environmental impact report for the downtown project which referenced the removal of the building on Pier 2 by March, 2015. Construction is estimated to begin in Spring of 2016 and conclude in the Summer of 2017.

Brad Benson, Director of Special Projects - As part of the discussion with BCDC about the 2012 Special Area Plan amendment, Port staff and Sinbad's negotiated a settlement agreement. At the time, Sinbad's was \$220,065 in arrears in rent plus interest and late fees. As an incentive for Sinbad's to vacate Pier 2 by December 31, 2104, the Port credited Sinbad's with four months of back rent equal to \$85,305.

The settlement agreement required Sinbad's to pay the Port its back rent with interest in 24 equal payments in a combined amount of \$141,498, vacate Pier 2 by December 31, 2014 and waive any claims including claims for relocation benefits. The Port entered that settlement agreement in good faith reliance on Sinbad's representation that it would vacate the premises by the end of 2014.

In June of 2014, Sinbad's approached the Port to request an extension of the vacation of its premises from the end of December, 2014 to an unspecified date which would be tied to WETA's construction schedule for the Downtown Terminal Project. In mid-December, Director Moyer executed an extension agreement in consultation with the City Attorney based on the Port Commission's delegation that granted a one-time extension to vacate Pier 2 until March 21, 2015.

Sinbad's accepted the extension and represented that Sinbad's acknowledges there will be no further extension of the vacation date regardless of whether the Downtown Terminal Project is delayed, extended or otherwise changed. On December 22, 2014, ten days after signing that agreement, Sinbad's approached the Port with another extension request tied to the WETA project.

Because of the requirements of the BCDC Special Area Plan and the companion permit, Port staff is developing plans and specifications for the building demolition, removal and disposal. In September, 2014, there was a characterization of the asbestos and lead in the facility. Port staff is working with San Francisco Public Work and their as-needed pool to contract for the removal of the restaurant. The estimated cost of that is \$110,000

We recognize that this is going to cause displacement of a tenant and may impact the employees of that tenant. The Office of Economic and Workforce Development has services to help people facing layoffs. They have a rapid response program and job transition assistance services that help people tap into unemployment insurance, job training and related benefits. OEWD is also available to help Sinbad's in terms of scouting other locations for the business.

Fred Naranjo, insurance broker - I insure about 800 companies here in San Francisco and Sinbad's happens to be one of them. I am not familiar with all the particulars that have just been discussed. I think the owners could address that. I'm here for one reason, and this is kind of like my core value. I appreciate that they talk about economic development and all of this.

Sinbad's has been a union shop for almost 30 years. The people that work there are immigrants - Chinese, Spanish - that speak very little English. Those are the core employees that work at Sinbad's. There are about 40 employees. I've gotten to know these employees over the years, and my main concern is, I have spoken to the owners of Sinbad's and asked them what they are going to do. They're telling me that they have an opportunity to maybe relocate, find a new location. They just need time in order to be able to find a new location to move those new employees to that new location.

I appreciate the economic development and all of it, but the average age of those employees are 55 years old and above and they're scared as hell. This is very touchy to my core value because I remember my father working as a fry order cook at the M & M Cafe on Market Street. They had closed down, lost their lease. Thank God that I was working and I was able to support my family and take care of them.

What I am saying is really important. This is a union shop. They've always been a union shop and they care about their employees. I checked to see if it was real because I would embarrass myself to come in front of this Board. I happen to know a lot of you. You're good people on this Board and you come from humble beginnings and are successful and are thriving today.

If there is a way to allow these people to stay for a while until they find a new location, I think it's the prudent thing to do. It is my understanding that they're not going to start construction or demolition until 2016. If they're not doing this, you evict them. I know that the commitment, and I've been checking out some of the investor groups and people that they're talking to that they may have a viable business and an opportunity to have a smooth transition for those employees.

I want you to think about those people that have a lot of fear that they're going to lose their houses, their job and no medical care. I appreciate economic development. Commissioner Adams, you understand this more because

you're a union person. As you said, you work for the working class people. You are a working class people. I ask you, if there is something that can be done here, I would be very appreciative.

Tom Stinson - Thank you for allowing Sinbad's to be here. Forty years back, Cyril Magnin, Jimmy Ruden, Harry Bridges were among the early authors of our existence. South of the Ferry Building was not the place that it is now due to yours and yours preceding you with a great vision for the future.

The story of our history has many forbearances, however. First let me point out that prior to the Loma Prieta earthquake, Sinbad's was one of the stars of the Southern Waterfront. It was alive, very successful and doing quite well. Many things then came afterwards causing much trouble to us. The sewer that was built on the street, the underground MUNI Metro Line came about. The earthquake brought down the freeway, the construction of it. These things really damaged and inhibited our operation, denied patronage to us in many different ways, automobiles, and foot traffic and so on and so forth. Yes, we faced declining sales and it was difficult and very foreboding on us. We're asking you not to look at this history, but look at the most current history of the last two years in which we lived up to the agreement in its fullness and in its honesty. We think that the little bit of time that we're asking for to find a new place, to keep staff on board, to keep these employees productive, off the welfare units, and even for myself as well, the same thing would hold true.

In the past we've had wonderful people we've worked with and were frequent customers, Walter Johnson who's no longer among us, David Brower was a frequent customer -- he even mentioned us on the Morning Show. These things were part of our history as well and the Port's history. We very much would appreciate you looking at the situation we're in, the circumstances that brought us here. We're not pulling any camel in the tent operation here. We're here just for a good mission and a sole finding purpose to put before you.

Duane Stinson - We come here in peace, friendship and once again to solicit for your support. Allow me to provide you additional information on the history of Sinbad's. Sinbad's gross sales in the Central and Southern area which we are categorized in the Port's rent report sheet that's distributed.

If you look at Table 1, Sinbad's is higher than most of the other seven restaurants in our designated area. We rank third with Golden Bear, Mission Rock and The Ramp as highest. Our minimum rent of \$21,923 a month is already very high. The highest in our area, and the third highest compared to all waterfront restaurants, even including Fisherman's Wharf. In terms of total rent, the base and percentage, we've paid more than other restaurants. We are the second highest of the eight restaurants in our category. The total revenues that we gave to the Port were significantly high, being the third

highest compared to the rest. Bottom line, Sinbad's is a good revenue producer to the Port.

The economic collapse in 2008 is another hardship we had to endure as many other Port tenants experienced as well. We don't want to be like our neighbor, I hate to mention other things, but like Ferry Plaza, it was Gabbiano's, was the World Trade Club, Carnelian, Dim Sum, Thai, all six failed and closed. This demonstrated how we persevered while others failed.

We are a good tenant. We've survived and we've been surviving on a month-to-month lease since the year 2000. It prevented us from doing major improvements in our restaurants like most other restaurants were able to do because they had longer term leases. Sales could have been much better with a longer term lease.

I'd like to point out since the 2012 agreement, we paid all our rents on time, plus back rents, on time, never missing any payment. Since then, Sinbad's has been a good tenant in good standing. We had some forbearances as Tom mentioned here before. Just imagine, for 10 years there was a freeway going down in front of our restaurant, there was a MUNI Metro underground going down in front of our restaurant. There was the sewer system going down. Ten, 11 years, that happened in front of our restaurant. Other restaurants didn't have the difficulty we had with that happening in front of them. That was just an isolated situation. Sinbad's and the Port, we've always had that understanding that Sinbad's would stay until the WETA project commences.

We will step aside when WETA needs our space and we won't ask for any more. We just want time to find a new location, keep jobs for our hard-working union employees. Many of them are Chinese immigrants who have been with Sinbad's for many years, being 65 years and older.

Jack Yip – I'm 63 years old and a cook at Sinbad's for 38 years. I don't know if you remember, but I spoke here in your meeting last month. I thought that WETA must have said okay. I was a speaker at the BCDC meeting last week, and the Commissioners were very kind and supportive. They tell us that you would talk about it in your meeting today. I'm afraid that you will get tired of listening to me as I repeat my request to you but I have a responsibility to my colleague employees and their respective families. I beg your understanding. Our lives and our futures are at stake. Many of the employees at Sinbad's are old like me. In the kitchen, there are about 12 employees and all of us are Chinese. I would like to tell you how proud I am because they are really good workers, reliable and hard-working and most hardly understand or speak English. It would be difficult for us to find another job because of our age and language difficulties. Many of us still have dependent children who are in school and most of us are still paying for our homes. Two of my co-employees have a health issue. They are just dependent on Sinbad's health

plan. If Sinbad's would close, what happens to them? All of us, we are helpless. Please allow Sinbad's to continue and that way, none of us would be displaced or in hardship. Thank you very much.

Commissioner Katz - Brad, I had a couple questions. We had a settlement that was signed in 2012 that indicated that they would be moving. I'm wondering why there wasn't an effort to look for a new location starting back then? Were they notified that that was going to be an issue?

Brad Benson - I can't speak to their efforts to find a new site in that period of time. I know when we negotiated the settlement agreement, we were basically de-linking their exit from the WETA project and coming up with a fixed date. They asked about other locations on Port property. I said that we didn't have those available and that they're typically competitively bid. I know in this more recent extension, I suggested that the City through OEWD could help with relocation efforts. I know that they stand ready to do that today.

Commissioner Katz - In the more recent settlement, that they then came back, I guess 10 days later. Were they advised that they had no other option but to sign the first settlement? I guess I'm a little confused on the timing there.

Brad Benson - Their request for this more recent extension was a similar request to what you heard today which was to be able to stay through the WETA project. The problem that we faced, and frankly that BCDC faced is that the requirements for the Port to remove the building, is in BCDC's Special Area Plan which is, it's actually not so much a planning document as a regulation. It takes up to six months or more to amend BCDC's plan.

It was really through the creative thinking of BCDC that we came up with the idea of extending through March 21, 2015 to get as close to that deadline as possible. We tried to convey that was a firm deadline. I think it was not what they wanted, as you're hearing tonight but we tried to be as clear as possible.

Commissioner Katz - Is the demolition is set to take place in 2016? What's the timeframe in terms of steps that have to be taken before that?

Brad Benson - The Port is obligated under the Special Area Plan to remove the building that houses the restaurant by March 31, 2015, so a little over a month from now. At this point, the way this agreement is set up, we'd be able to get started on that demolition work and not really complete it in time, but hopefully thereby avoid fines from BCDC because we'd be in progress in terms of fulfilling the requirement.

The WETA project, my best understanding is that they're planning on starting construction in this area in Spring of 2016. There's a period of time in which it

would just be a Pier after we completed the demolition and when WETA comes in to start their work.

Commissioner Katz – What's the process for us to go out to bid for someone to start the demolition. If they're to start in Spring of 2016, taking the March 2015 date out, how long does it take for us to bid out a request for the demolition and how long does that take?

Brad Benson - SF Public Works has an as-needed contract that we're using so we're not facing a typical bid process for this demolition work. We can tap into that bid contract so that's not the timeline that we should be worried about. The actual demolition work is not that complicated. It may take a month to two months in terms of the actual work, staging the work, putting up the protective fencing and doing the demolition work. The amount of time it takes to demolish can easily be accomplished between now and WETA's need for the site.

Commissioner Katz - In terms of the restrictions on us, it's the BCDC requirement.

Brad Benson - Yes, it's both a permit requirement under the America's Cup and it's a Special Area Plan requirement. As Elsa mentioned to you BCDC can charge up to \$30,000 in fines for failure to comply.

Commissioner Katz - Is that per day, or total?

Monique Moyer - The way it works is, under the America's Cup permit, they can fine the Port up to \$30,000 through BCDC's exclusive enforcement authorities. After that, they would refer the case to the Attorney General. I did want to also let you know that the Executive Director of BCDC reported to me that in order to amend the Special Area Plan, which is the regulatory document, their process would take the rest of 2015 and it could not be accomplished in time for us to avoid a default in March.

Commissioner Woo Ho - They're bound by that to actually put us in default and fine us?

Monique Moyer - That's what they've conveyed to us. This conversation about whether Sinbad's should be removed goes back to actually discussing the renovation of this building. That's why they've been on month-to-month since 2000 when their lease expired. It actually came up in the negotiations with BCDC for the renovation of this building and then the Port managed to forestall that as a requirement. It came up again in the Special Area Plan which was a little bit after that. Then it got accelerated or it got set as a date certain in the America's Cup negotiations. BCDC's been very clear that this is an important corridor that they want opened up and for them it is not linked to the WETA project.

Brad Benson - I should mention, as part of the settlement agreement, the Port asked Sinbad's to own the obligation for any fine that's assessed as a result of their late departure from the site.

Commissioner Katz - So that's included in the December, 2014 settlement?

Brad Benson - The 2012 settlement already had that provision in it.

Monique Moyer - The only amendment to the 2012 settlement in December, 2014 was the termination date, the move out date. All the other terms remained the same.

Commissioner Katz - In terms of the information we'd received regarding gross sales, how does that compare on a per square foot basis. Do we have that?

Monique Moyer - Yes. It's important to note that Mr. Duane Stinson was referencing gross numbers. The Port calculates our numbers on a per square foot basis and that's how our staff report was crafted.

Elsa Lamb - That's correct; we published monthly sales and rent report. For the report ending August, 2014, it lists the various restaurants, its reported total sales, square footage and sales per square foot.

Sinbad's generated over \$2 million in that period which amounts to about \$240.91 sales per square foot. On the other hand, HiDive generated virtually the same amount of sales, but the sale per square foot was \$1,056.98. A lot of it is relative what the square footage of the restaurant.

Commissioner Katz - In terms of what the Office of Economic and Workforce Development can do, they can also help in terms of assisting with relocating or finding locations as well as placing employees, correct?

Brad Benson - Their staff have offered two things such as looking for a new potential lease site somewhere in the city. We don't have a restaurant opportunity like this at the Port right now, so it would likely be off Port property. They've offered to work with Sinbad's employees in the case that the restaurant does close and that causes layoffs, whether temporary or not. They have a rapid response and job transition assistance service program. They're trying to connect employees with unemployment insurance, COBRA for health insurance, job transition services including job counseling, training and job placement assistance. That's the suite of services that OEWD has available.

Monique Moyer - One thing to note is the timing of March is leading into high season for restaurants, so especially along the waterfront. Whereas before,

when the restaurant was supposed to close in December that would've been leading into low seasons and that was one of the considerations for extending them to March.

Commissioner Woo Ho - Well I think this is, obviously, not a very happy situation. It's a difficult situation. In hearing all of the facts and the history and I respect what the restaurant has accomplished and I certainly empathize with the human aspect of this but the facts are it's going to happen. It is not something that the restaurant was not aware of. There has been knowledge since 2012 that this day was going to come.

We did not hear, in terms of from the restaurant that they were prepared, except now they're saying they want to look at relocation. It's very unfortunate and I feel for all of the people involved but it is not as if this has not been the handwriting on the wall for some time. The Port has tried to accommodate. Executive Director Moyer indicated that we are under a regulatory situation ourselves and so this is not something that we can simply say, "Let's just extend again."

If we're getting the message clearly, that BCDC finds us accountable to meet the deadline, then that is something that we have a fiduciary responsibility as a Commission to make sure that we're in compliance with our regulators, which is BCDC. It sounds like a Catch 22 to put the tenant in, but we have to be respectful and we are trying to be very respectful. My heart goes out to that human situation here but on the other hand, I think I'm not sure that I have heard from the owners that they have prepared for this. They've had lots of time to prepare for this day. They've hoped with each extension that the day would never come, but unfortunately sometimes in life, reality does come upon us and we have to be prepared. I'm not sure what we really have left available to us to help in the situation.

Commissioner Katz - This is an informational item, is that correct?

Monique Moyer - Yes, this was in response when Mr. Stinson and Mr. Yip appeared in public comment, you all had asked for more information. There's no action required of the Commission. The staff is not recommending action for all the reasons that you both have just articulated.

Commissioner Katz - Obviously, as Commissioner Woo Ho has just stated, it is an unfortunate situation as we have had a long-term tenant and employees have been there for many years. Unfortunately, we're a bit boxed in. I want to thank everyone for appearing today and for preparing the information and we obviously want to make sure that we do all we can to assist the employees and work with them to get them connected to the right people in the Mayor's Office.

15. NEW BUSINESS

Commissioner Katz – Staff presented a report regarding sea level rise draft plan that we were working on in conjunction with other City departments back on July 2, 2014. Could we get an update on that report?

Monique Moyer - Certainly. Also for new business, Commissioner Adams requested to have the Mayor's Office of Housing and Community Development come back and update the Commission on their overall affordable housing efforts. We have them scheduled to come back at the second meeting in March, specifically on the Seawall Lot 322-1 agenda, but I'm assuming you were asking similar to what we do with the Director of City Planning that you'd like to see them maybe once a year.

Commissioner Adams - Yes, I'd like that.

Monique Moyer - I doubt by the March 24th meeting, they'll have much new to report. We'll put them on the calendar annually. Is that sufficient, Commissioner Adams?

Commissioner Adams – Yes it is.

Monique Moyer - Commissioner Woo Ho, you were going to mention some items.

Commissioner Woo Ho – As I mentioned having witnessed a little bit of what the experience is for the public and for our cruise ship passengers. I wanted to ask if we could have a formal study and recommendations on how to improve the movement of traffic and people when we have very heavy cruise ship days. I believe that there's got to be some steps that we can take and that we shouldn't just accept the situation as is. I'm not sure that the traffic was being directed as well. I'm not sure if it would have helped if had better signage to tell people who were going to Fisherman's Wharf to not take Embarcadero and take some other routes to get there so we could divert some traffic.

Within the cruise ship terminal itself, it was a bit chaotic in terms of the traffic flow and the number of people and whether the terminal operator or the cruise ship should think about how they plan, if people are going to go to the airport, if they're going to go to the East Bay or elsewhere. Instead of individual cars, could they have some shuttle service so that they can take care of more people in one vehicle than having 10 vehicles there that are picking up people? How can they get people to BART?

These are just ideas. I'm not asking you to act on any. What I'm suggesting is someone needs to really peel the onion step by step here and see what they can do. We shouldn't accept the situation as in. Once we get the arena, and it's not on the Embarcadero, there's going to be more points of pressure on traffic around here. We don't want to keep waiting.

I hope that we can have a study of some kind. I leave it up to you to figure out what would be the best next steps and to talk to our friends in the traffic/transportation area, the cruise ship operator and the cruise ships or even being more conscious in scheduling cruise ship schedule, hopefully to avoid having two or three ships in one day. I know that we are very proud of that but I'm beginning to realize what the consequences are too. We should look at every bit of it and ask ourselves how we can improve and minimize the impact. It was just a really bad experience. It ruined the Saturday, let's put it that way.

Commissioner Katz – I don't know if that was the day it was raining so badly too.

Monique Moyer - No, it was actually, thankfully not raining.

Commissioner Woo Ho - That part was okay. The other one I mentioned is asking the immigration people to consider Global Entry. That's pretty straight forward and easy for them to consider. That's just to ease the immigration process so people don't have to spend an hour or hour and a half waiting just to get through Immigration.

Monique Moyer - We've been pretty blessed to have full staffing of the Customs Border and Patrol relative to the other cruise ports.

Commissioner Woo Ho - On the positive side, the luggage works really well. That part is very good but you have to get to the luggage.

Monique Moyer – We'll report back. I'd already reported to you that I had a traffic engineer out there on Saturday as well as our Chief Harbor Engineer has been looking at it. I'm not sure yet what the recommendations are but I know that the Traffic Engineer from MTA does have recommendations and observed everything that you just mentioned. We're very much aware of it and working on it and we'll report back.

Commissioner Adams - I appreciate Commissioner Woo Ho's comments but I look at it totally different. She had to go pick up someone. I have been down there several times. We knew when we put that facility there, there was going to be problems. Now, we could have Mike Nerney come in, because Mike deals with the cruise and also we could have someone from Metro. I have been down there on the ground watching the unloading and unloading on the ships. I'm not saying, Commissioner Woo Ho, that was a one off, but I'd like to have them come and tell us what they're doing down there. But from what I've seen, and you look at the space on the waterfront, there's a lot of people down on that waterfront where they're walking and that's just a part of doing business. It's just a lot of congestion. This is a small city with limited space so that you can have Metro who does the stevedoring at that facility and then have Mike Nerney who's our cruise ship guy come up here maybe at the next meeting and give you an update. I have been down there several times on the ground and I talked to Melvin Mackay the guys

from Local 10 and I think they did a great job personally. Director Moyer and Mayor Lee were down there as well.

Monique Moyer - Yes, Local 10 did a great job.

Commissioner Adams - Everybody that I talked to, I've heard nothing from positive things but I understand Commissioner Woo Ho's concern. Maybe we can get them here to tell us what they're doing and maybe Metro can tell us if they're doing something about Immigration and Global Entry.

Commissioner Woo Ho - People observed that as far as the ships, as far as loading and unloading of supplies, the trucks and the luggage, those worked really well. That part, Metro's got it really under control. It's the passenger flow and the people flow and the pick-up. As far as the business side of getting the ships supplied, people observed that the back part of the cruise ship terminal was flowing properly and well.

Commissioner Adams - The cruise terminal has only been open a couple months. I'd like to kind of let it work out. Why don't we have them come here, so they can report to us?

Monique Moyer - I'd like to report back all together because we are working on this.

Commissioner Adams -Yes, I think it's a work in progress.

Monique Moyer - I'm a little worried if we did it piecemeal.

Commissioner Katz - Director Moyer, why don't you put together some proposal to get the reports back and coordinate it as you see makes sense.

Monique Moyer - Yes will do.

Commissioner Woo Ho - I will say that the people directing traffic and I don't want to criticize again, but there were six police officers and only one person was directing traffic. The others were just standing there watching. There wasn't enough people saying go and there's no light at the entrance there. It's a question of just directing traffic from just the human aspect. That's not a big thing to figure out how to make it work better.

Commissioner Adams - Besides dedicating this meeting to Frank Sabella, Sr., I would also like to dedicate it to a good friend of me and Leslie's, Bob Morales, one of the longest term Commissioners in the City. Bob served for many years on the San Francisco Film Commission. I served for four years with Bob. Bob was also a stalwart in the City. He was with the Teamsters Union. He came from El Salvador, a great guy. Bob will be truly missed for his dedication not only to the Labor

Movement but just to people in general and also his contribution to the Film Commission. May he rest in peace.

16. ADJOURNMENT

ACTION: Commissioner Adams moved approval to adjourn the meeting in memory of Frank Sabella, Sr. and Film Commissioner Bob Morales. Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 7:27 p.m.



NOTICE OF CANCELLED MEETING

1/15
canceled

**NOTICE IS HEREBY GIVEN THAT THE
FEBRUARY 24, 2015
REGULAR PORT COMMISSION MEETING
HAS BEEN CANCELLED**

**The Next Regular Port Commission Meeting is
scheduled on:**

**TUESDAY, MARCH 10, 2015
2:00 P.M. – CLOSED SESSION
3:15 P.M. - OPEN SESSION
Port Commission Hearing Room
Second Floor, Ferry Building
San Francisco, CA 94111**

02-17-15P01:17 RCVD

**San Francisco Port Commission
Pier 1, San Francisco, CA 94111
(415) 274-0406**

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MARCH 2015
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
March 10	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
March 24	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets at the last Wednesday of the month as needed from 6:00 to 8:00 p.m. Location to be determined. Contact Kanya Dorland @ 274-0264 or kanya.dorland@sfport.com and/or David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

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Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

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Disability Accommodations:

To request assistive listening devices, sign language interpreters, readers, large print agendas or other accommodations, please contact Wendy Proctor, Port's ADA Coordinator at (415) 274-0592 or via email at wendy.proctor@sfpport.com or Amy Quesada, Commission Secretary, at (415) 274-0405 or via email at amy.quesada@sfpport.com at least 72 hours in advance of the hearing. The Port's TTY number is (415) 274-0587.

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Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soff@sfgov.org. Citizens

interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Ruston or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

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CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.

